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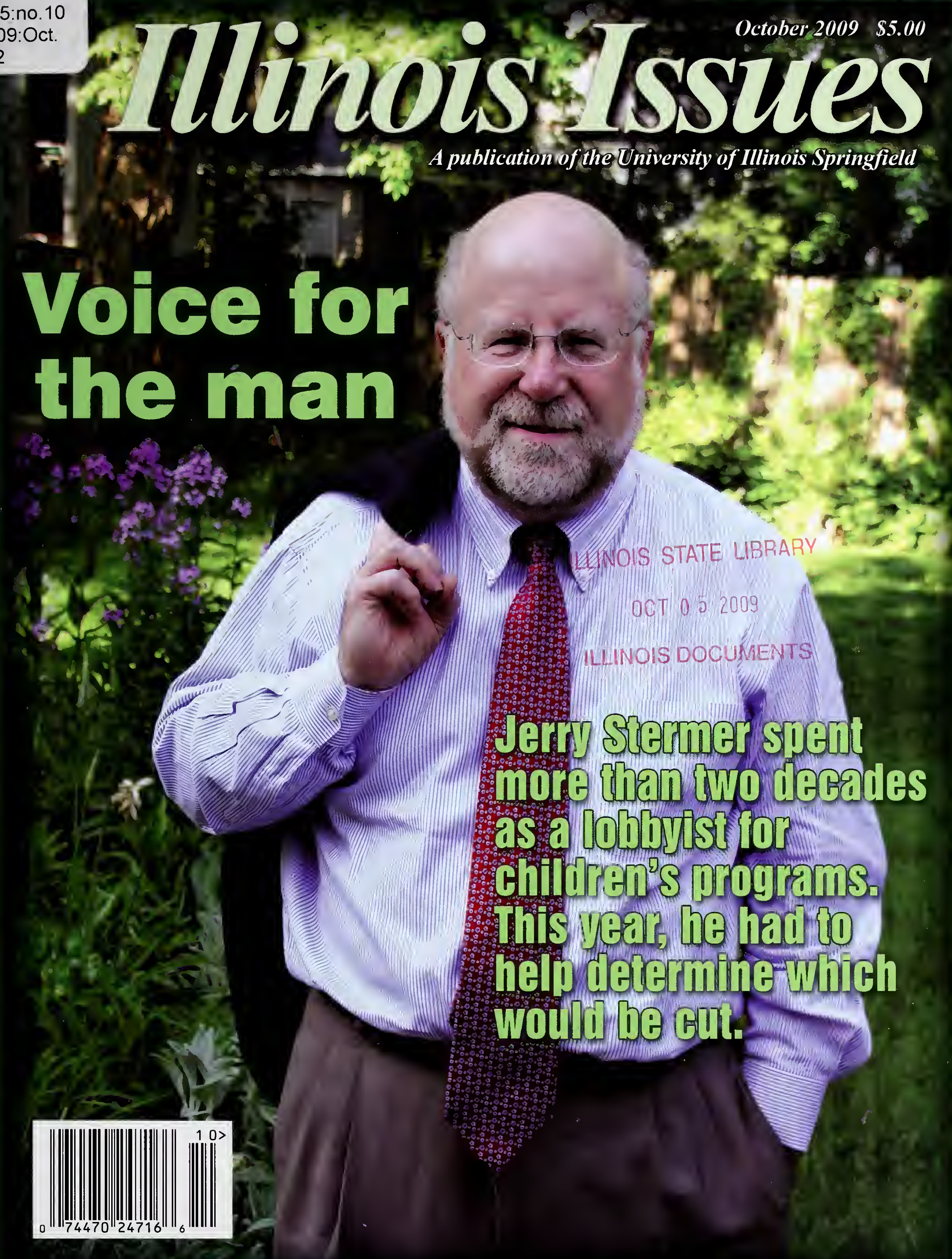
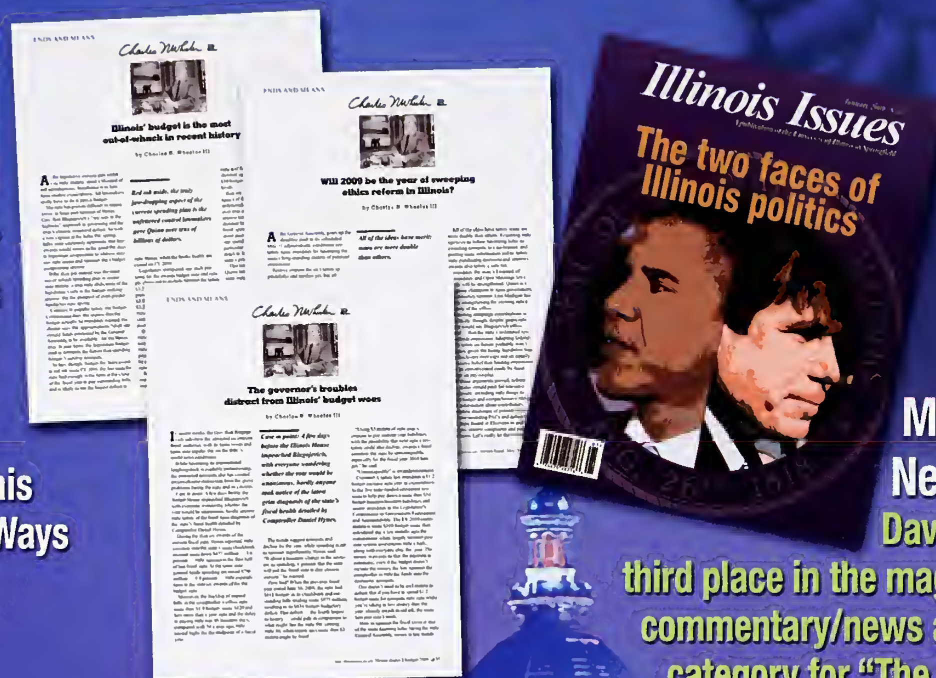
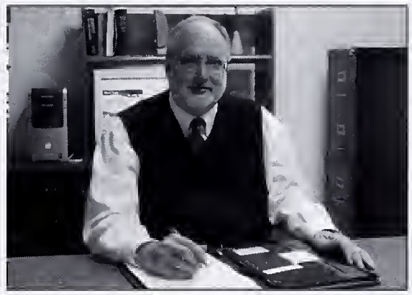


Voice for the man

Jerry Stermer spent more than two decades as a lobbyist for children's programs. This year, he had to help determine which would be cut.


Illinois' budget is the most out-of-whack in recent history
Will 2009 be the year of sweeping ethics reform in Illinois?
The governor's troubles distract from Illinois' budget woes
Illinois Issues
The two faces of Illinois politics

Dana Heupel



Illinois has company in its budget woes

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the budget. California — which faced a $26 billion shortfall — Pennsylvania and Connecticut also are auctioning off state properties, the *Monitor* says. In Illinois, both the House and Senate

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Dana Heupel

Illinois has company in its budget woes

by Dana Heupel

It's said that misery loves company. If that's true, Illinois has plenty of both.

The misery stems from money and programs that lawmakers and Gov. Pat Quinn have extracted from the state budget to try to fight the decay in state revenues caused by the economic recession. The company comes from other states that face the same massive financial problems.

During budget negotiations this year, Illinois legislators and the governor attempted to close a deficit estimated at $11.6 billion. But that was only a fraction of the estimated $215 billion in deficits that states nationwide wrestled with for their 2009 and 2010 budget years, according to Stateline.org, an online publication that follows state government issues.

So far, Illinois has not enacted any general tax increases, other than imposing full sales taxes on several products where sales taxes previously were reduced, such as candy, shampoo and soft drinks. Instead, lawmakers and the governor tried to balance the budget through cuts, fee hikes, $3.4 billion in borrowing to fund employee pensions and about $2.7 billion in one-time federal stimulus funds. But even after funding was slashed for social services, payroll and many state programs that until now had been seen as essential, the budget finally enacted mid-July still carries an estimated deficit of $1.4 billion.

Other states have taken various routes to try to fill their own budget gaps. Unless otherwise noted, the information on them below comes from Stateline.org.

• Arizona, for instance, hopes to raise $350 million to $700 million by selling as many as 32 state properties — perhaps even its Capitol building — and leasing them back, according to the *Christian Science Monitor*. The $60 million to $70 million in lease payments would cost that state's taxpayers in the long run, but the sales would infuse immediate revenues into the budget. California — which faced a $26 billion shortfall — Pennsylvania and Connecticut also are auctioning off state properties, the *Monitor* says. In Illinois, both the House and Senate approved separate bills to lease the state Lottery last year but couldn't agree on combined legislation. Proposals to privatize the lottery didn't gain traction during this year's spring legislative session.

• At least 18 states increased personal income or sales taxes. Several of those were temporary: California and Nevada hiked sales taxes; and Hawaii, New York and New Jersey increased income taxes. Illinois Gov. Pat Quinn proposed increasing this state's personal income tax rate from 3 percent to 4.5 percent and raising the corporate rate from 4.8 percent to 7.2 percent, but it didn't fly with the legislature during its spring session. Quinn says he may try for an income tax increase again next year.

• Taxes on cigarettes and/or alcoholic beverages went up in at least 18 states, with New Jersey, New York and North Carolina increasing taxes on both tobacco and alcohol. In Illinois, taxes increased on beer, wine and spirits to help pay for a $31 billion capital construction program. The hikes were levied on distributors, although some

or all of the amounts likely will be passed on to consumers. Lawmakers and Quinn are still tossing around various proposed incarnations of a tobacco tax and may deal with that issue this month during the legislature's veto session.

• At least 17 states are forcing state employees to take furlough days. California has ordered its 210,000 workers to take three days off each month until next June. Quinn has ordered Illinois government employees to take 12 unpaid days off during the coming year, although unions are fighting that. He also has threatened to lay off 2,600 workers, and the state's largest employee union, the American Federation of State, County and Municipal Employees, has sued to try to block those layoffs. Six states — but not Illinois — offered employee buyouts.

• Illinois was among seven states that expanded gambling, with the Land of Lincoln permitting video poker in taverns. Delaware became the second state, along with Nevada, to allow sports betting.

• At least 26 states cut funding for prisons, and seven states — Colorado, Kansas, Michigan, New Jersey, New York, North Carolina and Washington — closed some prisons entirely. Quinn has announced his intention to lay off 1,000 corrections workers and perhaps release some nonviolent inmates early in an effort to save $125 million.

• Oregon, Rhode Island and Vermont increased taxes on gasoline. Illinois didn't but joined more than a dozen other states in hiking vehicle registration fees.

• At least seven states cut education funds. Illinois was among them, chopping money for early childhood education. The advocacy group Voices for Illinois Children estimated that as many as 30,000 children, mostly from low-income families, would be prevented from attending preschool.

• According to the National Conference of State Legislatures, pension and retirement benefits for new state employees were reduced in Georgia, Louisiana, Nevada, New Mexico, Rhode Island and Texas. Quinn and lawmakers have discussed similar moves in Illinois but so far have not enacted them.

Various other states also increased taxes on software and digital phone ring tones, hotel rooms, court and hospital fees, and hunting and fishing licenses. More detailed information on other states' attempts to balance their budgets can be found at www.stateline.org and www.ncsl.org.

Kudos

Illinois Issues won two national journalism awards in the annual Best of Statehouse Reporting contest sponsored by Capitolbeat, an organization for Statehouse reporters and editors.

Charles N. Wheeler III won first place in the Columns/Commentary/News Analysis category for magazines for his columns that appeared throughout the year.

Dave McKinney won third place in the same category for his analysis, "The two faces of Illinois politics." His article appeared in the January 2009 edition of *Illinois Issues* and compared the reputations of newly elected President Barack Obama and then-Gov. Rod Blagojevich, who was impeached and removed from office later that month.

Wheeler is director of the Public Affairs Reporting program at the University of Illinois Springfield and a former longtime Statehouse reporter for the *Chicago Sun-Times*. McKinney is the *Sun-Times'* current full-time reporter at the Illinois Capitol.

Congratulations to both of them.

New name

Careful readers might note that throughout the magazine this month, we refer to "the University of Illinois Springfield" instead of "the University of Illinois at Springfield." The university changed its name for marketing purposes, and we are happy to use the shorter version.

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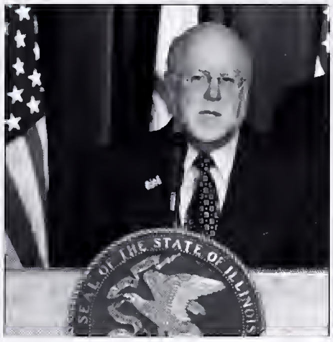

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FEATURES

Credits: The issue was designed by Patty Sullivan. The cover photograph was taken by Marilyn Sherman and comes courtesy of the School of Education and Social Policy at Northwestern University.

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DEPARTMENTS

STAFF

Bethany Jaeger

Even small budget cuts hit home in a big way

by Bethany Jaeger

Centers for people with disabilities and many other community-based services have known for months that they were unlikely to receive as much state funding as they have in previous years.

But even a 10 percent to 20 percent reduction in funding can significantly alter their clients' daily lives.

The need to curb spending became obvious in March, when Gov. Pat Quinn laid out a sobering view of Illinois' fiscal constraints: a national economic recession deepening a state budget deficit that he projected to reach $11.6 billion by next summer, not to mention a chronic backlog of unpaid bills. Since then, taxpayers, public employees and state contractors repeatedly have heard Quinn urge the need for "shared sacrifices" during these unprecedented times.

It became even clearer in July, when the governor's proposed income tax hike failed in the General Assembly. The final budget deal now requires Quinn to cut an additional $1 billion from spending. He said then that he would spread the cuts to maximize the receipt of federal matching and stimulus funds, meaning he couldn't cut from education or Medicaid because that would risk violating economic stimulus rules.

Quinn also said he would fund health-related initiatives that focused on disease prevention, as well as services that reduced demand for more expensive services later. His chief of staff, Jerry

When a budget crunch collides with an economic crisis, grant-funded programs for everyone from people with disabilities to needy college students tend to get squeezed.

Stermer, adds that state and federal laws and court mandates further shape funding priorities.

This year, in particular, the federal stimulus rules limit the budgeteers' options when deciding where to trim. But cuts from dinky parts of the budget aren't enough to compensate for the nosedive in revenues. Scott Pattison, executive director of the National Association of State Budget Officers, says budgeteers are left with targeting the biggest pieces of the pie: health and human services, higher education or corrections.

"When you're talking about the huge amounts — hundreds of millions of dollars, in some states billions of dollars — that you need to cut, you've got to go where the money is."

In other words, when a budget crunch collides with an economic crisis, grant-funded programs for everyone from people with disabilities to needy college students tend to get squeezed.

Stermer takes issue with the argument that grant-funded services fall outside the state's core function.

"It's a false dichotomy to say those things managed directly by state and state employees are not in the same value range or in the same priority concept as those that are provided by community contracts or grants," Stermer says. "A better approach is to focus on what are the outcomes that we want from our state investments."

A good example is the state's network of 23 centers for independent living, which provide personal assistants for people with severe disabilities so they can live in their homes rather than in nursing homes.

State grants started the program in the 1980s. The network also receives a grant through the Illinois Department of Human Services that pays for training and recruiting personal assistants, as well as legal support and training for the clients so they know how to manage their aides and protect their civil rights.

Quinn's administration initially planned to "zero out" the training portion but continue to fund the personal assistants program. His office changed course after rallies throughout the state and several meetings with center leaders.

"These choices are throughout the state budget, but in this particular case, when we had an opportunity to listen more carefully to the representatives of

these groups, many of them the actual consumers, the case was extremely persuasive," Stermer says.

But the centers still will have to adjust because the administration is considering capping the amount of time personal assistants can work outside clients' homes.

Mike Ervin, who is wheelchair-bound, is one consumer preparing for the worst.

"I'm capable of making my own decisions, and I can use my computer, but really, anything major I need help with."

He typically has the aides come to his Chicago condominium nine hours a day. Because of the service, he is able to work as a freelance writer, a playwright and a community activist. He doesn't get Medicaid or Social Security. He earns an income, pays state taxes and employs five people.

Reducing the amount of time his personal assistants could help him get around the community would drastically alter his daily routine.

He says lawmakers need to understand that "just because something is a state program doesn't mean it's bad or wasteful."

But a reduction in hours is a lot better than where the budget cuts started in the spring. The centers had been told their general funding would be reduced by 50 percent, which later was changed to 10 percent. The elimination or reduction of the personal assistants training grant would be on top of that. Not knowing has been the most trying for the centers, says Ann Ford, executive director of the Illinois Network of Centers for Independent Living, based in Springfield. "It's changed so many times, and there's just a real kind of demoralized feeling right now because what they want to do is their jobs."

Even with the grant funded at 80 percent of last year's levels, Ford says centers, particularly in rural areas that don't have private funding sources, will still have to reduce the hours that staff can work to the point where they no longer qualify for health benefits. They also might have to roll back their service areas to save money on transportation costs.

College students who rely on state assistance to pay tuition are also in limbo and serve as another example of a grant-funded service that significantly affects their lot in life.

More than 138,000 low-income college students received the so-called MAP grant this fall. But there's no money left for the spring.

The Illinois Student Assistance Commission, an independent state agency, administers the grants. This year's budget reduced a portion of that funding from $440 million to about $200 million, mostly affecting the Monetary Award Program that offers need-based grants.

More than 138,000 low-income college students received the so-called MAP grant this fall. But there's no money left for the spring, says Andrew Davis, commission executive director.

He says, "Come January, the state's need-based grant program will have run dry."

At the same time, demand for the state assistance has increased as the recession drives up unemployment rates. Davis says the nearly 30 percent increase in demand is met by a 50 percent decrease in funding. "It obviously makes a train wreck."

There is a chance during this month's legislative veto session that the governor and legislative leaders could agree to find new revenue — possibly from a $1 increase on the sales tax on cigarettes — to fund the second semester of the grant.

One version of a cigarette tax increase advanced through the Senate last spring but stalled in the House. Stermer says if the cigarette tax doesn't happen, the governor wants to pursue a revenue source that could quickly garner support from a majority of legislators. The goal is to get a vote this month so students know whether they'll get assistance to enroll in classes come January.

"If we don't make a decision this fall and we put it off until some time in 2010, then this whole thing becomes disrupted," Stermer says. "Kids and returning students are dropping out, our public and private universities having to cut back themselves, further unemployment, not a good thing in this time of economic crisis."

Davis says he's an optimist, but being confident would "certify me as a lunatic."

"The tough part isn't convincing it's a good program. The tough part for them is in finding new money."

He projects a larger deficit in the long run if the MAP grant disappears in the short run.

"The state, ultimately, is in effect eating its seed corn because people who don't graduate from college will not accept the jobs and take the jobs and qualify for the jobs that pay higher incomes, which earn the higher income tax" for state coffers.

The commission estimates that absent the second semester of MAP grants, 45,000 students would take on extra debt to continue to attend college, another 45,000 would temporarily leave school with the intent to come back — while only some of them would — and the last third would drop out for good.

"You could be talking about derailing 75,000 students, permanently taking them out of the educational pipeline," he says.

In addition to costing the state in future workforce and tax revenues, it also would cost colleges and universities tuition for each student not returning.

Lawmakers could restore the funding, and the recession could officially be over. But that doesn't mean state and local revenue outlooks will catch up any time soon. Pattison of the National Association of State Budget Officers estimates that the lag time between when the economy recovers and when states recover could be at least another year or two.

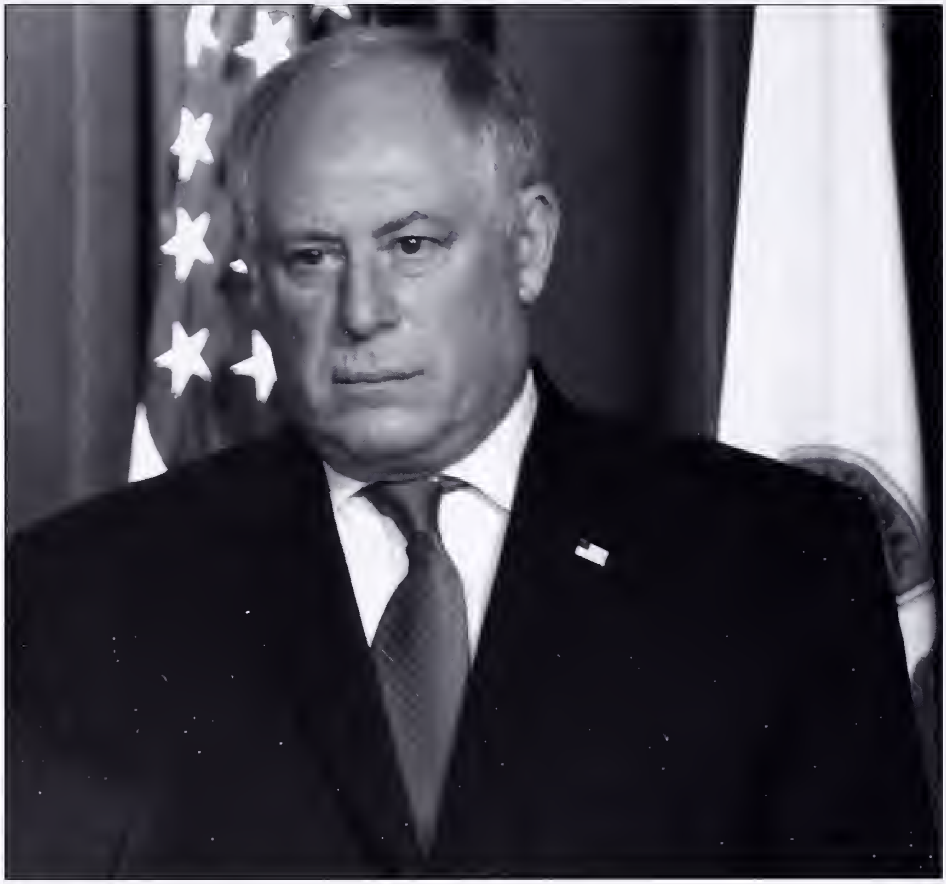
Lawmakers might want to keep that in mind when drafting next year's budget.

Regardless of how noble the intent to help people with disabilities protect their civil rights or help low-income students pursue college degrees, lawmakers should avoid passing budgets that they know the state can't afford. And if they can't resist approving such budgets, they should remember the consequences of 2009-2010, when they couldn't agree to generate enough revenue and, instead, forced the governor to make cuts so they wouldn't have to. As a result, seemingly small reductions in funding will disrupt the daily lives of some of the most vulnerable citizens in this state. ❑

Bethany Jaeger can be reached at capitolbureau@aol.com.

Campaign finance reform re-do

Photograph courtesy of the office of Gov. Pat Quinn



Gov. Pat Quinn vetoed a campaign finance reform bill and vowed to start over.

This spring marked the first time in state history that the General Assembly approved a bill to limit the amount individuals and organizations could donate to political candidates, but the legislation died in August in an unusual veto by the governor.

Gov. Pat Quinn and legislative leaders of both political parties stood together to announce the governor's veto of **House Bill 7**, which would have limited contributions to $5,000 for individuals, $10,000 for businesses and labor unions and $90,000 for transfers from statewide political parties. It would not have taken effect until January 2011.

"I'd rather take more time to get it right and have public consensus behind it than hastily do something that might have happened in the spring," Quinn said when vetoing **HB 7**.

The bill was approved without support from Republicans, high-profile reform advocates known as Change Illinois or Quinn's own Illinois Reform Commission. Cynthia Canary, director of the Illinois Campaign for Political Reform, described **HB 7** as "phony reform" filled with loopholes.

Illinois is one of only a handful of states that do not limit contributions of any kind.

In May, Quinn testified in favor of the bill and said it was "the best we can do at this time."

"I felt it was the first time in the history of Illinois since 1818 that we actually had an opportunity to enact limits on campaign donations," Quinn said in vetoing the bill, adding that he has since realized it would be better to start over from scratch.

Senate President John Cullerton defended Quinn's actions, saying the sponsors of the bill asked him to veto it so they could come up with something more agreeable.

"If he signed it, there are people here who think it could be much better, and that would be interpreted as accepting something that had flaws. We didn't want to do that," Cullerton said. "He's not flip-flopping. He's doing what we've asked."

Senate Minority Leader Christine Radogno said, "As desperate as our state is for reform, and that includes campaign finance reform, there was tremendous pressure on the governor to go ahead and enact a bill that really would have maintained the status quo or even made it worse."

Republicans argue that one provision would have allowed unlimited support from statewide political parties. Another would have spurred candidates to create up to three separate committees, all with different contribution limits.

Radogno previously sponsored legislation supported by the Illinois Reform Commission that would have mirrored federal limits: $2,400 for individuals, $5,000 for political committees, businesses and unions and $30,000 for legislative leadership.

Cullerton and House Speaker Michael Madigan, both Democrats, have said those limits are too low and would require candidates to chronically campaign to raise enough money.

But all four legislative leaders, including House Minority Leader Tom Cross, agreed to continue negotiating to try to present a fresh bill this month during the legislature's fall veto session.

Bethany Jaeger

THE AFTERMATH
University of Illinois trustees refocus board

The University of Illinois' mostly new board of trustees is charged with setting new standards and shielding the university from political influence.

The board lost seven of nine voting members after a scandal tied to former Gov. Rod Blagojevich.

The *Chicago Tribune* exposed the board's meddling in the university's admissions process, favoring about 800 clout-heavy students over more qualified applicants. The students reportedly were sponsored by Blagojevich, lawmakers, university donors and trustees. Known as "Category I," they were differentiated by a red stripe on their files.

Following the recommendations of a special commission investigating the allegations, Gov. Pat Quinn sought the resignations of all trustees (see *Illinois Issues*, September, page 10). However, he said it was up to the new board to decide whether to fire the university's top administrators, President B. Joseph White and Chancellor Richard Herman. The Faculty/Student Senate later voted 98-55 to urge the board to replace them.

According to the *Tribune*, former board chairman Niranjan Shah, a 2003 Blagojevich appointee and campaign supporter, wrote in a public statement that previously accepted practices should no longer be the norm. "Today, I recognize that those rules are changing with the times, and I think that change is a very good thing."

Shah stepped down in early August. He is replaced by new chairman Christopher Kennedy, president of Merchandise Mart Properties in Chicago and son of the late U.S. Sen. Robert F. Kennedy.

New trustee Karen Hasara, a former state legislator and Springfield mayor, says public access to information and public awareness after the corruption cases of Blagojevich and former Gov. George Ryan spurred new expectations. "The standards have changed in many, many ways the last few years, and people need to make sure they change with them."

Trustee Edward McMillan of Greenville originally was appointed by Quinn in March, shortly before the *Tribune* story broke. Quinn reappointed him last month.

Two trustees refused to resign and, therefore, remain. Quinn said he wished Frances Carroll and James Montgomery would have stepped down, but to avoid lengthy litigation challenging his executive powers, he would not force them to resign.

"Indeed, I feel that if we went down that road, that would become the main show, as opposed to what we really have to do," Quinn said in August. "Our main focus should be on repairing the damage that's been caused to the university."

Former Judge Abner Mikva, who led Quinn's commission, says the governor handled the situation well. "It would be foolish to waste the resources engaging in a long court fight to remove [Trustee Montgomery] and Trustee Carroll. They didn't do much while they were on the board, so I don't think they'll do much harm if they stay another year or two."

Mikva says while he anticipates the university's quick and complete recovery, the problem started with Blagojevich and trickled down.

"His appointments are tainted, even though for all that is otherwise known, they might have been very competent people. Just the fact that they came on under Blagojevich's auspices and that they were involved in giving lots of money to his campaign tainted the university."

Senate President John Cullerton plans to advance **Senate Bill 1333**, which would remove the remaining trustees by law, says Rikeesha Phelon, his spokeswoman. The bill originally was designed to fire up to 750 Blagojevich appointees throughout state government. It could come up for a vote during this month's legislative session. *Bethany Jaeger*

The board of trustees

The board has 13 members, including the governor and three students. No more than five can be from the same political party. Trustees oversee the university's three campuses in Champaign-Urbana, Chicago and Springfield.

In addition to chairman Kennedy, the new trustees are:

- **Karen Hasara** of Springfield, former state legislator and mayor who served in various local government positions, Republican.
- **Timothy Koritz** of Roscoe, anesthesiologist, former U.S. Air Force flight surgeon and officer in charge of a space shuttle emergency medical response team, Republican.
- **Lawrence Oliver II**, chief legal counsel for the Boeing Co. in Chicago, independent.
- **Pamela Strobel** of Winnetka, former Exelon Corp. executive and lawyer, Democrat.
- **Carlos Tortolero** of Berwyn, founder of the National Museum of Mexican Art, Democrat.

Continuing trustees:

- **Frances Carroll** of Chicago, former educator in higher education and secondary education, president of the Carroll Family Foundation, Democrat.
- **James Montgomery** of Chicago, former assistant U.S. attorney and former counsel to then-Chicago Mayor Harold Washington, Democrat.
- **Edward McMillan** of Greenville, agribusiness executive and reappointed trustee, Republican. (Quinn appointed him in March, but McMillan resigned before receiving Senate confirmation; Quinn reappointed him.)

For more news see the Illinois Issues Web site at http://illinoisissues.uis.edu

Chicago, state sued over parking meters

Chicago resident Aviva Pratt and the Independent Voters of Illinois-Independent Precinct Organization in August sued city and state officials over the lease of Chicago's parking meters to a private company.

In December 2008, the Chicago City Council overwhelmingly approved Mayor Richard Daley's plan to lease the city's parking meters to a private company. As a result, the city's 36,000 parking meters were leased for 75 years to Chicago Parking Meters LLC, a division of Morgan Stanley, for an up-front payment of $1.2 billion. Pay boxes have replaced the parking meters, and rates are expected to quadruple by 2013. According to IVI-IPO attorney Clinton Krislov, the lawsuit contends that:

- The city of Chicago violated state law by denying future city councils to manage the public right of way.
- The state would not have authority to revoke driving privileges because of parking violations at private meters.
- Public money should not be used to enforce private meters.

The lawsuit names city Comptroller Steve Lux, Secretary of State Jesse White and Comptroller Daniel Hynes.

Gene Saffold, chief financial officer for Chicago, says, "The lawsuit is wholly without merit, both factually and legally, and the city will vigorously defend against" it. Representatives for Hynes and White declined to comment.

The IVI-IPO, in existence since 1944, is a nonpartisan political organization dedicated to government activism and open government in Illinois. "They have a record going back many years of taking on government wrongdoing," Krislov says.

Melissa Weissert

Center for people with disabilities closes

About 265 residents with severe disabilities and about 760 employees will transition out of Howe Developmental Center in Tinley Park after Gov. Pat Quinn ordered the facility to close.

That's partially because the federal government in 2007 decertified Howe for a series of violations ranging from neglect to unnecessary drugs or restraints without medical justification. The U.S. Department of Justice also is investigating potential civil rights violations.

The decertification has cost the state about $26 million in federal matching funds each year. As a result, the Illinois Department of Human Services had been operating the facility for about $55 million a year, diverting money from other state-owned facilities to compensate.

Advocates for closing Howe include the state-appointed and federally funded Equip for Equality, along with Arc of Illinois. Both believe shuttering the facility indicates a desirable shift from institutionalizing people with disabilities to helping them live in more normal settings within their communities.

On the other hand, the closure is opposed by unionized workers, a group of family members of Howe residents and the Illinois League of Advocates for the Developmentally Disabled.

Council 31 of the American Federation of State, County and Municipal Employees represents Howe workers and wanted to keep the facility open in another attempt to win recertification.

"Governor Quinn should have immediately fired the managers who neglected the facility and begun to reverse steep cuts to its staff — the keys to regaining the federal certification the Howe center held since 1974," Henry Bayer, Council 31 executive director, said in a statement.

After a bipartisan legislative review panel recommended closing Howe, Quinn in May appointed Anne Shannon to study the situation. She is a former president and chief executive officer of Aspire, a nonprofit organization for people with developmental disabilities.

In a June 30 report, Shannon recommended closing Howe, provided that residents could transition to suitable places of their choice and would be monitored on a regular basis.

Howe was designed to be a facility to prepare residents for a transition to the "least restrictive environment." However, Shannon reported that more than half of the residents, or 136 people, lived at Howe for more than 20 years.

Lilia Teninty, director of the Department of Human Services' Division of Developmental Disabilities, says the plan is to have all residents transitioned to community-based services or other state-owned centers by April 30, 2010. "Clearly, the transition needs of residents at Howe will determine our ability to meet that deadline," she says. Since 2007, Howe has transferred about six residents a month to other facilities. At that pace, closing Howe would take 3.7 years.

Closing the facility by April 2010, then, would require 27 transitions per month, which Shannon said "is possible but aggressive."

Most — or 115 — of the residents have gone to community-based homes called "community integrated living arrangements." Eight have moved in with their families. But Shannon said the remaining 265 residents could follow vastly different trends, particularly because many have feared a transition.

"Many were involved in the poorly handled transition from Dixon and/or Lincoln [developmental centers], and their memories of the painful process are quite vivid," she wrote. "Much misinformation is circulating." She said some have never visited community alternatives or the 17 other state facilities.

Most families want their loved ones to transfer to the nearest state-owned facility. Another 69 want their loved ones to return to their communities.

While 1,500 additional spots have opened within community integrated living arrangements in the past five years, Shannon wrote, "This will need to continue to keep up with demand created by transitions" from state-owned facilities.

Bethany Jaeger

Illinois' worst weed

Photograph by Aaron Hager, courtesy of the University of Illinois Urbana-Champaign

Waterhemp attacks a soybean field.

As harvest continues and farmers prepare the land for next year's crop, Illinois scientists are working to unravel the secrets of weeds that take their toll on farmers' yields and bottom lines. Applied herbicides are expensive and a source of environmental concerns.

Patrick Tranel, a professor of molecular weed science in the University of Illinois Urbana-Champaign's College of Agricultural, Consumer and Environmental Sciences, studies "Illinois' worst weed." Waterhemp, one of nine species of pigweed that try to choke corn and soybean plants, is a prolific, hardy plant that is showing resistance to being killed by such popular herbicides as Roundup®.

Tranel and his students are using the technology that mapped the genomes of humans and other species to isolate the genes that allow weeds to become resistant to herbicides, meaning they don't die when sprayed with weed killers. Knowing which gene has mutated to resist a certain herbicide gives the researchers information to design tests aimed specifically at the mutated gene.

"We can take a sample of a plant [that] a farmer suspects is resistant, and we can look for that mutation. We can say yes or no, you have that resistance. The farmer can then make a more informed choice as to what herbicide to use," says Tranel.

Having access to affordable DNA sequencing is coming at an opportune time in the fight against weeds. Waterhemp has become a nuisance within the last two decades. Tranel says the shift to no-till farming methods helped spread the plant because it produces a small seed that can lie on top of the soil and easily germinate. Under conventional tillage, small seeds are plowed under and buried six inches down.

Waterhemp also is extremely prolific. A single plant can produce hundreds of thousands, even a million seeds, over a growing season, which can last from April to August. "It doesn't take too many misses [of herbicide] in your field to create a problem for next year."

The sheer numbers contribute to the plant's genetic diversity, which lends to mutations that develop resistance. Presume a gene mutates once in every billion new plants in a population, Tranel says. With one plant producing a million seeds, it only takes 1,000 plants to produce a billion. "These very rare mutation events can happen when you have such large numbers of individuals," he says.

Plus, waterhemp needs male and female plants to reproduce; it cannot self-pollinate. That allows the plant to "stack" resistance genes by getting one from each parent that has evolved an ability to survive the particular herbicide being applied. "Then it can be resistant to both herbicides."

Tranel says one other aspect of the lab's research is that the DNA sequencing allows for long-term population studies. Researchers are able to develop markers that act like fingerprints to track the movement of the resistance traits. They can tell if pollen is carrying over long distances and whether outbreaks of resistance at opposite ends of the state are independent mutation events or are caused by farmers moving machinery such as combines between fields.

The Illinois Soybean Association is funding the study. Each year, with dollars from the federal soybean checkoff program, the association funds about $250,000 in research at state universities, says Matt Hughes, an association board member and director of the research committee.

"Universities can leverage checkoff dollars to find more dollars for research, so the money from us can be multiplied a few times over," he says.

Hughes also farms about 2,500 acres of corn and soybeans in southwest McLean County. He says tall corn plants can often out-compete waterhemp, but shorter soybeans have a harder time getting sunlight, water and nutrients before the weeds do. He says he plants about half his bean fields with Roundup Ready® beans, a genetically modified seed that tolerates the glyphosate herbicide in Roundup®, a product developed by St. Louis-based Monsanto. Those fields cost about $20 per acre for weed control. His nongenetically modified beans, he says, are developing resistance to traditional herbicides, and that chemical program costs about $50 per acre to control.

Weeds cost farmers billions of dollars every year, yet Tranel says funding for weed genomics and weed science has been scarce. He received one state grant through the Illinois Council on Food and Agricultural Research, known as C-FAR, "when it was a viable system," but the appropriation for that program, which supports research in state universities, was zeroed out of the fiscal year 2010 budget.

"Weeds cost a lot of money," Tranel says. "We need to bring weed science to the 21st century."

Beverley Scobell

International buyers to take ag tour

A group of 30 or more buyers from around the world will take a road trip through Illinois this month visiting working farms and agricultural businesses. The 2009 Illinois Grain Tour will start at Southern Illinois University Edwardsville's National Corn-to-Ethanol Research Center and end four days later at the Chicago Board of Trade.

In between, the international importers will visit the Auburn farm of Illinois Corn Marketing Board member Tim Siefert and the Princeton farm of board chairman Jim Rapp. They will also visit GSI Grain Systems, an equipment manufacturer in Assumption that specializes in steel farm bins, commercial storage grain bins, grain dryers and grain silos.

Marquis Energy in Hennepin, 45 miles north of Peoria on the Illinois River, is also on the tour. The facility is producing 110 million gallons of ethanol per year. It also produces 330,000 tons of high-protein bio-energy feed (DDG or dried distiller's grain) and 1.7 million gallons of corn oil. Marquis Energy purchases 40 million bushels of corn per year from Illinois farmers.

DDG is used primarily as livestock feed, and corn oil is used in the production of bio-diesel.

Terry English, an Illinois Department of Agriculture marketing representative, says the importers are often interested in the byproducts of ethanol production. English, who sets up the tours, says recorded sales resulting from past grain tours amounts to more than $2 million. The tour takes place October 12-15.

Beverley Scobell

Cancer diagnoses set to increase among Latino population

The Latino population, already the nation's largest minority group, is expected to triple in size by 2050, with Latinos accounting for 29 percent of the U.S. population in 2050, according to projections from the Pew Research Center and U.S. Census Bureau. Largely due to increased immigration, this rapid growth among the Latino population will not only account for an increase in the U.S. population from 296 million in 2005 to 438 million in 2050, but also an increase in the number of cancer diagnoses, specifically breast, cervical and prostate, among Latinos.

"Breast cancer has the highest mortality rate among Latinas, and prostate and colorectal cancers are almost tied for the highest mortality rate among Latino males," says Lydia Buki, a psychologist and professor in community health at the University of Illinois Urbana-Champaign.

Buki began studying cancer detection and psychological treatment pertaining to cancer diagnosis among Latinas in 1996, when she worked on a cancer-screening project for the National Hispanic Council on Aging.

"Doctors and communities need to understand that there are many factors that can affect how Latina women feel about going to the doctor. There are cultural beliefs, but there are also psychosocial aspects of cancer-screening that need to be addressed instead of just physical aspects," Buki says.

Inadequate health insurance coverage, language barriers, low income and limited cancer literacy can combine to deter cancer prevention, detection and treatment among Latinas, Buki notes. However, there are projects in Latino communities that reach out to women and are beginning to make an impact.

Bilingual women in Latino communities, known as community health promoters, inform Latinas about cancer screening. They also can help women who have been diagnosed with cancer navigate the health care system to receive treatment, Buki says.

Although community health promoters are making a difference, Buki says that her biggest hope is that her research allows the public to realize just how much cancer is affecting the Latino population and how large and serious this problem is.

"This is a multi-faceted problem, and it won't be solved just by doctors informing and treating Latino patients. It will take doctors, sociologists, health policy makers, psychologists, et cetera, to solve it."

Nicole Harbour

Photograph by L. Brian Stauffer, courtesy of the University of Illinois Urbana-Champaign

Lydia Buki

Shiny new penny

To commemorate the bicentennial of President Abraham Lincoln's birth, the U.S. Mint decided to issue and release four newly designed pennies. Each design was to represent a different aspect of Lincoln's life, including the 31 years he spent in Illinois. However, when the design for the Illinois penny was revealed, Earl "Wally" Henderson, a Springfield resident and member of the Abraham Lincoln Bicentennial Committee, was disappointed.

The Bicentennial Committee had submitted a variety of ideas to be considered for the penny. "We submitted images of the Lincoln Home, the Old State Capitol, the Lincoln Tomb and even the [Great Western] Depot," says Henderson. However, when the committee received what was supposed to be the final design, none of its ideas had made the cut. "The design the [U.S.] Mint gave us showed a clean-shaven Lincoln, dressed in an old-fashioned jacket, reading a book [in front of a desk]. It really didn't represent his time in Illinois. This scene could have happened anywhere," he says.

The decision was supposed to be final. However, after a conference call between a representative of the U.S. Mint and members of the Abraham Lincoln Bicentennial Committee, Henderson decided to try to get the design changed. He contacted then-U.S. Rep. Ray LaHood and U.S. Sen. Dick Durbin to help his cause.

Henderson, along with the bicentennial committee, wrote letters to then-Treasury Secretary Henry Paulson asking that the decision be reversed. Durbin personally contacted Paulson and requested that the Illinois penny be redesigned. Paulson agreed.

"Wally Henderson deserves the credit for inspiring me," Durbin said, according to the Springfield *State Journal-Register*.

The new design of the penny representing Illinois features Lincoln standing in front of the Old State Capitol in Springfield, where he delivered his famous "House Divided" speech. The Old State Capitol also was significant to Henderson, an architect who worked on the restoration of the building in the 1960s. Joel Iskowitz, who is also responsible for the design of the 2008 Arizona quarter reverse, designed the image on the Illinois penny.

On August 13 to a crowd of thousands, the penny representing Lincoln's life in Illinois was unveiled in front of the Old State Capitol. Durbin, Iskowitz, U.S. Mint director Edmund Moy and Henderson attended the ceremony.

Melissa Weissert

Photographs courtesy of the U.S. Mint

The pennies' reverse sides depict Lincoln's early childhood in Kentucky (1809-1816), his formative years in Indiana (1816-1830), his professional life in Illinois (1830-1861) and his presidency in Washington, D.C. (1861-1865).

Federal funds to come for school innovation

This month, the federal government is sending out requests for proposals for nonprofits to apply for funds to scale up ideas that are working. The $600 million Social Innovation Fund was authorized by the Edward M. Kennedy Serve America Act and is part of President Barack Obama's Race to the Top initiative (see *Illinois Issues*, September, page 15). It is managed by the new White House Office of Social Innovation and Civic Participation, which plans to hand out the monetary grants next spring.

One Illinois organization that intends to seek a grant is ExSL, a Chicago-based program that trains principals of new or "startup" schools through two years of intensive classroom and field-based management training.

ExSL is the shorthand name for Execution in Entrepreneurial School Leadership. It is a partnership between the Inner-City Teaching Corps, which founded Alain Locke Charter Academy in East Garfield Park, and the Levy Institute for Entrepreneurial Practice at Northwestern University's Kellogg School of Management.

Patrick Ryan Jr., founder of Inner-City Teaching Corps, says his group starts with a basic question: "What are the things that are most predictive of success in a new school?"

Ryan's concept intends to give principals and other members of a school's leadership team the managerial skills to carry out an effective plan for assuring students achieve at high levels. Those principals can include all participants — teachers, students and parents — in the vision.

"We're going to help those principals really become expert and help them come up with the most compelling, best practices plan," says Ryan. "It's good old-fashioned management."

The ExSL program consists of four basic elements: plan development, a summer institute at the Kellogg School, a principal's forum and follow-up assessment and coaching. It follows four themes:

• Focus efforts and measure results rather than activities.

• Keep the urgent from eclipsing the important.

• Set milestones and objectives with clear goals and timelines tied to a plan that reflects the organization's strategy.

• Prepare to adapt the plan around roadblocks.

"In the school setting, there are probably a hundred things a day a principal has to do," Ryan says. "They are being pulled in many, many directions — a huge number of demands on their time and a huge amount of demands on their energy and focus."

Patrick Love knows that firsthand. The principal of a new K-3 charter school starting up in the East Garfield neighborhood of Chicago, he is in the unique position of going through the ExSL training twice: last year as vice principal at the main campus of the three-campus LEARN charter school network and this year as the principal of the newest school.

"The hard thing about starting a charter school — this is the third one I've helped open — is to get everybody on the same page," says Love. Through the program, he and his administrative team planned out their entire year, with specific strategies for using the roadmap rather than sticking it on a shelf.

"When you open up a school, you're worrying about budgets and ordering stuff and building issues and operations, and you tend to think more micro than macro," he says. "When we're working together at the campus, there are so many distractions."

The component of the ExSL program that takes principals off their campuses and to the Kellogg School, Love says, helped him focus. "We spent a week just talking about education, talking about best practices, talking about our assessments, our benchmarks, what we want from teachers, how we're going to assess them, how we're going to coach them, how we're going to do professional development. Instead of just trying to wrestle with that day to day, we spent a whole week — even before we knew any of our kids — to really set up a plan that would be strong enough to execute."

Another aspect of the ExSL program Love finds useful is the ongoing coaching. A team periodically visits the school and interviews principals, observes teachers and students and compares the school's plan with what it sees happening on the ground. Love says it gives principals a chance to make adjustments midstream so they don't get to the end of the year and realize they had an unworkable plan.

"It's like progress reports. You have an outside person come in who can really give you impartial feedback," he says. "Basically, they put a mirror to you and say: 'This is what we see. Are you seeing the same thing, and if you are, what can we do to make things better?'"

Love says this program is a great professional development tool for principals, who do not have the same training opportunities that teachers do.

Ryan says the ExSL program aims to fill that gap. It started by looking at the common denominator among successful new schools.

"We realized we needed to help develop school leaders, to train school leaders in these approaches, so we can take their good intentions and great ideas and the great ideas of the faculty and the people starting these schools and turn them into moving [student] academic achievement further, faster."

Beverley Scobell

Voice for the man

Jerry Stermer spent more than two decades as a lobbyist for children's programs. This year, he had to help determine which would be cut

by Maureen Foertsch McKinney

After 22 years as the state's top advocate for children, Jerry Stermer became the chief administrator in Illinois government. So instead of advocating for the expansion of child care, he was explaining why such services were in danger of being cut. As his son Dan tells it, "You're fighting against the man, and then you get a job where you are the man, and it's like, wait, what are you going to do?"

Well, you can't fight against the man — not when, as Gov. Pat Quinn's chief of staff, you've become the voice for the man.

Stermer took the job at 65, the age where he had been planning to step away from the presidency of Voices for Illinois Children, telling the board of directors that he would like to scale back his involvement and prepare a successor. He had taught a class on social policy at Northwestern University on an adjunct basis since 2002 and thought he might like to do more teaching. "That was the plan, and then everything got turned upside down," Nancy, his wife of nearly 30 years, says. "He was going to ratchet down his pace a little bit, and instead, he increased it a hundredfold."

The Evanston resident gave up teaching and Voices, along with his roles on various boards, including Voices for America's Children.

He first met Quinn in the early '70s through his youngest sister, Mary Joan Park, who was the sixth-grade teacher of Quinn's youngest brother. When they met, Stermer and Quinn were both campaigning for former Gov. Dan Walker. Stermer actually began his career in state government serving in the Department of Children and Family Services under Walker.

This year, in his return to state government, he spent much of the spring and summer explaining Illinois' budget woes, telling the tale of that tsunami of red ink. "We have the most unbelievable fiscal crisis our community has ever faced, and we're struggling at every angle of what

we're doing here. But we can keep some principles ahead of us," says Stermer.

"What Gov. Quinn wanted to do was to fashion an approach to government that kept a principle, children first, as front and center as possible. He felt that asking me to serve as chief of staff would serve as a daily, even hourly, reminder that no matter what we do, we're not going to forget that children are first and most important."

Serving as a symbol is not the usual role for a chief of staff, but Stermer is not the usual chief of staff.

"He really doesn't meet the stereotype ... sort of brash, extroverted, cutthroat, hard-nosed, but he's not someone you should ever underestimate," says John Casey, his friend and former boss at the Legislative Advisory Committee on Public Aid, where Stermer worked from 1979-85 and succeeded Casey as executive director.

Three chiefs of staff for the previous two governors, Scott Fawell, Lon Monk and John Harris, have been imprisoned or indicted on political corruption charges. Fawell recently was released from prison. Monk is scheduled to plead October 7, and Harris pleaded guilty in July to one count of wire fraud.

Quinn "has principles, and I certainly share those principles," Stermer says. "And it was those principles that persuaded me to join him. We've got to restore integrity to government. We can't get to doing what we need to do in programming if we don't have integrity in the government."

Casey says of Stermer: "He's as honest and decent a human being as anyone I've ever known and worked with. Bar none. I give great credit to Gov. Quinn for having the wisdom to hire Jerry as his number one aide, particularly in light of the fact the last couple chiefs of staff have been indicted."

Jerry Stermer was born in Minnesota, the second of Mary and Edward Stermer's eight children. The family moved to west suburban Elmhurst when he was 10. His parents, a homemaker and a salesman, were devout Catholics with a strong interest in politics and current events. Mary Stermer walked door to door campaigning for Hubert Humphrey for mayor of Minneapolis and organized a march in Chicago after the death of the Rev. Martin Luther King Jr. That peeved the bishop of the Joliet Diocese, who didn't like that she was being ecumenical.

His mother died in the fall of 2007 at the age of 88. "But during that last year, when she was much in decline, she was very interested in Barack Obama. She knew that I knew him and had worked with him when he was a member of the Illinois legislature. The last conversation we had was about how he was doing in the debates, in particular a debate at

Photograph courtesy of the Illinois Information Service

Jerry Stermer, center, first got to know Gov. Pat Quinn when the two of them campaigned for former Gov. Dan Walker.

Photograph courtesy of the School of Education and Social Policy, Northwestern University

Stermer talks with students at Northwestern University, where he taught a class in social policy.

Dartmouth. She said he could be more firm on certain points and could hold his head straighter. My mother was totally interested in politics her entire life. She was committed, committed, committed to social justice."

He shares many of his mother's interests.

Stermer says: "I am a man of great faith, a great believer. I don't have to go to organized activities every week to stay strong in my faith." He had planned early in life to be a priest, attending high school and college in programs related to the Divine Word Seminary. He was in the seminary until he was in his mid-20s, when he joined the Peace Corps.

"I thought the progress in the Catholic Church was a little slow. We were dragging our feet on reforms, and I also felt — this is what tipped it over for me — that suddenly, without having paid any dues, I was going to have a prominent role in some community. I was going to school, going to college, and I was going to be ordained, and I was going to be a priest someplace where I hadn't paid any dues whatsoever, hadn't worked my way up the ranks, and all of a sudden I was going to be a person of distinction, you know, have certain influence in the community that I didn't earn. It just seemed wrong to me. To me, it was better that you pay your dues, that you serve in the ranks. If you're later selected to have a different assignment, a more challenging assignment, fine. So I thought serving in the Peace Corps would be a much better way to pay my dues and then to see how I could contribute."

He volunteered from 1968-70 in the Peace Corps in Ecuador, where he helped farmers in a quasi-government economic development program.

After the Peace Corps, he went to the University of Pittsburgh's graduate school for public and international affairs. He was thinking about serving in an international program such as the U.S. Agency for International Development. A professor at Pitt queried his students about why books, studies and journals supposedly differentiated the United States from developing countries when this nation also struggles with issues such as child poverty and failing schools.

Stermer, who later received a master's degree in public administration and political science from the University of Illinois Urbana-Champaign, says he and several classmates realized there was work to do at home: "I said, 'I'm going to Chicago.'"

Fast forward nearly 40 years. The crisis occupying Stermer's time in his new $150,000-a-year job is the state budget, which earlier this year was projected to have an $11.6 billion deficit.

The budget debate in the General Assembly produced an underfunded spending plan that Quinn vetoed. Deliberations dragged on until mid-July, when a $26.1 billion budget was finally adopted. Although the most severe cuts that were initially proposed were staved off because of a plan to borrow $3.4 billion over five years, lawmakers still left it up to Quinn to reduce spending by $1 billion. Announced layoffs of 2,600 employees sparked a lawsuit by Council 31 of the Association of Federal, State, County and Municipal Employees, the state's largest public employee union. Cuts hit education, corrections, human services, health care and other areas. Causes close to Stermer's heart were not spared.

"Personally, I think, it's just heart-wrenching for him," says Nancy Stermer. "He knows these programs backwards and forwards and how their absence affects lives. It represents a danger to the most vulnerable people. So yeah, that has been very, very difficult for him."

Stermer downplays the difficulty and points out how much more severe the cuts might have been. "For every choice, there were many powerful consequences, and the initial partial budget that Pat Quinn vetoed, we would have funded many, many social programs at 50 percent of the previous year."

The enacted budget allocates $3.93 billion to human services, while the original spending plan was $2.53 billion.

He posed a question to the legislative leaders at Quinn's request. How many caseloads did Illinois have of people who were receiving Aid to Families with Dependent Children in 1995, before welfare reform passed? Before welfare reform was adopted, the state had a caseload of 238,112 families receiving Aid to Families with Dependent Children. Now, the Temporary Aid to Needy Families caseload is about 29,000 — mostly women and children.

Illinois, Stermer notes, responded to the welfare reform movement that encouraged welfare recipients to work by increasing child care subsidies, which now cost $650 million.

"The partial budget (the version Quinn vetoed) would have put tens of thousands, probably more than 100,000 people, out of work. ... Gov. Quinn said that's just totally unacceptable, not in the worst fiscal crisis, not in a time of recession, not when we are pushing at that time 10 percent unemployment. We've got to keep people working. We brought the legislature back, and we did better. We maintained child care subsidies at the same level as last year."

That's an example of how Stermer's experience at Voices served as a reminder of a Quinn commitment to children. When Voices for Illinois Children was founded in 1987 (with Stermer as its original president), the advocacy group took on a push for preschool for all of Illinois' children, one of 87 recommendations developed by a study group. In the 2010 state budget, early childhood education is funded at $85 million, just 90 percent of last year's level.

"How could I stay away when they invited me to work on these issues, things I believed in passionately?" Stermer — whose own adult children are 27 and 24, a massage therapist and a theater artist, respectively — says of Voices.

He cites the preschool push as one of Voices' victories, along with an effect of a Blagojevich era initiative: Illinois leads the nation in expansion of health coverage for children of the otherwise uninsured.

Judging how effective a chief of staff Stermer was during the budget process depends on whom you talk to.

"He's done a very good job," says Senate President John Cullerton, a fellow Democrat. "We both had a little learning curve on the budget, both myself and Jerry, because we're both new to the job. Both of us came at about the same time. I think we both together tried to learn and appreciate how the budget works, so that by the end of the fiscal year, we were able to maybe not be the most knowledgeable but certainly be knowledgeable enough to know what we were trying to accomplish — to make sure we were talking apples to apples."

Says Senate Republican Leader Christine Radogno, "One, he's versed in one area of the budget but not necessarily in some of the others, so he's had a steep learning curve, which I don't think has been terrifically helpful because we're in a crisis. The other thing that I think has been a challenge for him more than for someone who has a background in government is I believe he thought he would get everyone to the table and everyone would be interested in problem-solving because we have a big problem. And I think it's been a bit of a rude awakening for him that not everybody wants to solve the problem and not everyone is coming at this as to what is the best way to do it, that there were other agendas having to do with power and politics that frankly sometimes supersede solving the problem."

Photograph courtesy of the Illinois Information Service

Jerry Stermer takes questions in February when Gov. Pat Quinn announced he had chosen Stermer as his chief of staff.

She adds: "Dealmaking. That probably wasn't in his repertoire" of political skills.

"I think he's beginning to develop them a little at the same time, unfortunately, that he was having to learn the job and what was required of him at the same time the crisis was going on. The product that we ended up passing I don't think is a good one for the state of Illinois. The end result is not a good one. As I said many times, the way human services were targeted for more cuts than the rest of the budget was wrong, and I honestly think that was difficult for Jerry because he truly cares about that area of government."

Stermer takes issue with the notion that he's new to the legislative process, saying, "I've worked in and around state government since 1973."

He also disagrees with Radogno's take on budget cuts to human services. "The fact is, the reductions were spread painfully across a variety of areas including education, public safety, human services and health care."

Cullerton says he believes that Stermer's personality aids in the negotiation process. "He's very well-suited because he's low-key, and he doesn't lose his temper, at least in front of me he never did. He's very easy-going. He seems to have his ego in check and is very dedicated to the governor and seems to have very good people skills. "

A former coworker describes Stermer, who drives a 1996 Honda Civic, as a down-to-earth consensus builder whom he often seeks out for advice.

"What you see is what you get with Jerry. He's a knowledgeable, a smart guy but also warm, so you could underestimate the fact that he's also pragmatic and can be tough when he needs to be," says John Bouman, president of the Sargent Shriver National Center on Poverty Law and a former lawyer at the Legal Assistance Foundation of Chicago, where Stermer worked from 1985-87.

Stermer's next major challenge could require that tougher persona, as he tries to advance the governor's renewed push for an income tax hike from 3 percent to 4.5 percent.

"What we hear all across the state is ... that people are recognizing how important it is to provide the programming and services that make sense for our communities, that we've long neglected the integrity of those beliefs and principles," Stermer says. "I think people feel that if we're using our heads and we're vigorous custodians of the scarce resources that we have, then people are willing to pay. I think people recognize Gov. Quinn's honesty, integrity and his courage and his commitment, and I think people recognize those realities. And those characteristics that make up who he is far overshadow the particular frustrations that all of us have with our taxes."

So says the voice for the man. ❑

Emily Zeitler, assistant director of the Scott Early Learning Center at Bloomington's Children's Home + Aid, reads to preschooler Rigo Alvarez. The center faced a potential 80 percent funding cut in the "doomsday" state budget considered early this year. Spared cuts that severe, services to clients continue at its city-block campus near downtown Bloomington.

Joining forces

To prepare for an uncertain future, nonprofits collaborate rather than compete

by Crystal Yednak
photographs by Robert Pope

This is the third and final installment of a three-part series on the plight of nonprofits in Illinois.

The series was underwritten through a grant from the Donors Forum, a Chicago-based organization that serves as a major informational clearinghouse for philanthropies. The Donors Forum did not exert any editorial control over the content of the articles — those decisions were made by the writers, photographers and Illinois Issues*' staff — but did provide information on charitable giving and nonprofits that was used as a resource for several of the articles.* Dana Heupel, executive editor

As Illinois nonprofits continue speaking the language of cuts — slashing budgets, laying off staff and shrinking programs — hopes are being pinned on a new project in Chicago that holds promise for delivering savings to nonprofits that sorely need those extra dollars.

Four-month-old Zane Mason stays at the Scott Early Learning Center in Bloomington. The program is a branch of the Chicago-based Children's Home + Aid organization.

Background: Artwork throughout the Children's Home + Aid/The Children's Foundation in Bloomington features handprints of children who receive services from the organization.

Formed last year, the Back Office Cooperative brings nonprofits together to experiment with their combined power in purchasing and sharing office functions. Already the effort has cut members' bills for food, office supplies and other items anywhere from 12 percent to 50 percent, says cooperative president Bryan Preston. Next, the cooperative is investigating whether it can find savings in sharing human resources, information technology and health insurance.

"Organizations have to take a hard look at what is truly the thing they do that's strategic and not be afraid to look for help in some other ways," Preston says. "It's about getting people to think differently."

On a course already made challenging by continual declines in state funding, decreased donations and more people needing help, Illinois nonprofits are searching for any way to shed weight, become more nimble and form new teams.

Like a reality show competition where the judges love to shock viewers by throwing last-minute curveballs at contestants, the state threw down plenty of obstacles for Illinois nonprofits to surmount this year. Planning for the future has become nearly impossible for many frustrated nonprofits. As of mid-September, organizations still had no idea about their state contracts for the fiscal year that started July 1. Nonprofits such as YWCA Metropolitan Chicago had to draft their budgets multiple times as they responded to changing information from state government, says the organization's chief executive officer, Christine Bork. Like many other nonprofits, YWCA has seen its state funding shrink as each budget cycle has brought new cuts on top of the reductions of the year before.

This year, with the early expectation of 50 percent cuts to its state contracts, the organization cut staffing and shuttered some programs, only to learn later that some of the money would be restored. That meant some laid-off employees could be rehired, but the layoffs and closings "all could have been avoided if decisions were made

more timely," Bork says. Like many, YWCA has borrowed money to get by. "We can't continue to draw down on a line of credit to front services the state should be paying for," she says.

The insanity of this year's budget cycle did prompt many organizations to shake off any discomfort they might have about raising their voice and advocating for their cause. Traditionally, nonprofits have spoken out for their own particular issues, but this year, they all came together around the common cause of killing the "doomsday" budget.

"Nonprofit folks tend to be conservative about not rocking the boat because oftentimes, there may be some delicate politics involved in whatever funding situation they have," says Gordon Mayer, a vice president with Community Media Workshop, which works with nonprofits to communicate their messages. This year, "organizations were willing to take a stand."

Going forward, nonprofits will have to find the time, staff and expertise to explain their story, nonprofit leaders say. It's easy for the public to grasp the idea that schools need money and why that's important, says Nancy Ronquillo, president of Children's Home + Aid, a Chicago-based nonprofit that serves 40 Illinois counties. But illustrating the role of human service organizations requires painting a more complex picture.

The story nonprofits have to tell is that in an economy that works, a strong nonprofit sector is needed to provide the quality child care and senior services that allow workers to be productive on the job while knowing their families are being taken care of, Ronquillo says. While nonprofit organizations may target different problems, they are all integrated. "You can't fund foster care but then close all the drug treatment centers because then you can't prevent child abuse," Ronquillo says.

As organizations look for ways to squeeze out savings, the Back Office Cooperative has started to put some dollars back into the accounts of its 10 member agencies, which include Metropolitan Family Services, Youth Guidance and Casa Central.

One member, Chicago Commons, anticipates it will save $85,000 on $350,000 of purchases this year. "That's $85,000 that can go to the bottom line or back into services. It could be a couple of staff members," says CFO Chris Nordloh.

In a budget year when the organization lost $250,000 from United Way alone, the savings on purchases could help restore some of that funding, he says.

The cooperative enables members to realize some of the advantages of a merger without having to actually merge. By shedding some office operations, a nonprofit's staff can focus on its mission of helping children, families or the disabled instead of being bogged down by business functions. Being part of the cooperative group also provides a buffer for agencies hit with a sudden, significant budget decrease — not an uncommon occurrence in this environment.

"By consolidating the agency administration into a shared resource, nonprofits can basically offload some of the risk, cost and burden of running administrative functions," Nordloh says. Instead of having to cut staff each time it takes a budget hit, the member agency can just reduce the services it needs from the cooperative.

The cooperative isn't alone in trying to help Illinois nonprofits band together for financial benefit. Last year, an initiative called Illinois ResourceNet took on the challenge of helping link Illinois nonprofits with federal funds.

"Illinois overall receives a comparatively small share of federal dollars in return for the amount of tax dollars Illinoisans send to the federal government," says Rich Kordesh, co-director of Illinois ResourceNet. Illinois ranks 45th among the 50 states in terms of the return on tax dollars, according to a 2007 Tax Foundation report.

Illinois ResourceNet directs nonprofits toward emerging federal funding opportunities, while providing training on the policies, procedures and oversight needed to attract federal dollars. Resource-stretched nonprofits often don't have the time to stay current on funding opportunities that may develop, so the initiative does the initial screening and provides technical assistance through the process.

Being part of the cooperative group also provides a buffer for agencies hit with a sudden, significant budget decrease — not an uncommon occurrence in this environment.

Since the start of the project, "I've seen a lot more interest, willingness and recognition that it's in one's self interest to collaborate," Kordesh says.

Talk of mergers has also heated up in the sector but with some measure of doubt because such ventures tend to be incredibly complicated.

"There are certainly instances where organizations could create more efficiency in management or using building space better," says James Lewis, senior program officer for the Chicago Community Trust, which provides support to nonprofits throughout Chicago.

But when it comes to smaller agencies that work with niche populations, it may not be more efficient for a larger organization to recreate what the smaller agency was doing to help that population. "Plus, with a lot of those organizations, the executive director is also a case manager, and the overhead isn't as big as it looks sometimes," Lewis says.

After a lifetime of differentiating themselves from other nonprofits to obtain funding, it can be difficult for nonprofits to surrender themselves to another organization. Many boards and

Teacher Becky Tanner leads a class of at-risk preschool children through drawing exercises at the Scott Early Learning Center in Bloomington.

managers continue to justify their agencies' existence even when the problems may be too large to overcome. "By the time the organization is on its last leg, it ends up cutting staff and closing the doors before merging," says Diana Aviv, president of Independent Sector, a national association of nonprofits.

Independent Sector has been monitoring the sometimes dysfunctional relationships between nonprofits and state governments, finding the most serious problem to be the delay in the states' reimbursing nonprofits for services rendered. Nationally, the association is pushing for a federal loan fund from which nonprofits could borrow money interest free or at a low rate to carry them through the period while they're waiting to be paid. "You're talking about government money that was promised to them," Aviv says.

Illinois organizations say they'd like to better prepare to serve the increased numbers of people showing up at their doors, but planning of any kind is extremely difficult in the current environment.

Barb Hicks, executive director of the Madonna House women and children's shelter in Quincy, says her small organization has shelved plans for a capital campaign. The agency wanted to build a larger facility to help clear a six-month waiting list, but the nonprofit pulled back when its funding was cut from various sources by a total of 40 percent. Now it appears that any building project will be at least seven years away.

"We're hoping we'll be able to at least keep the staff we have now and continue services even at the reduced level we have now, but that's not a given," Hicks says.

Preparing to mark its 25th year, the Williamson County Family Crisis Center in Herrin is prepping for its first fundraising event, as well, a necessary undertaking after the nonprofit suffered significant cuts in state and United Way funding. The hope is to raise $30,000 by next year to keep the organization going, says executive director Peggy Russell.

"We are so small we already all do double-dipping. If one of our staff members can't come in, I come in and cover the shift," Russell says. "It's payday to payday, and I've never had that problem."

The ambiguity with the state's financial picture forces tough decisions for nonprofit leaders throughout Illinois.

"The uncertainty of the budget leaves us in a situation of trying to decide whether or not we go ahead and render

the services and hope we get paid," says Vivian Loseth of Youth Guidance, which had to lay off about 25 people this summer while waiting for state contracts to be sorted out. "There will be a point where we can't do it anymore."

Like many organizations, Youth Guidance is trying to improve private fundraising to diversify its revenue stream. "We really see growing our individual donor base as one way of helping to guard and protect ourselves from the throes of the state budget," Loseth says. "But it's not a good time to raise those dollars."

Indeed, donations decreased in 2008 for the first time since 1987, according to a June 2009 report by the Giving USA Foundation. What frightens the sector is that the economic shift did not happen until the end of the year, when most donations were already in. "If last year went down," Aviv says, "we're expecting 2010 and 2011 to be way down." ❑

Crystal Yednak is a Chicago-based freelance writer.

Public disclosure rules tightened

A 501(c)(3) status says, "Trust me," to a public looking for a way to help.

While the vast majority of nonprofit organizations take that public trust to heart, there are exceptions. And as nonprofit leaders make greater appeals to the public for donations in an ailing economy, they want to avoid any smudges on the reputation of their sector. Observers are watching with great interest this year to see whether new disclosure requirements in the federal tax form that nonprofits file leads to more transparency — or more scandals.

"Donors are asking more questions now. They're taking it more seriously because they have less money to give," says Daniel Borochoff, president of the American Institute of Philanthropy, a national charity watchdog organization based in Chicago.

Under the changes, nonprofits must report more about their governance structure and executive compensation. With a public already enraged by executive salaries in the private sector, excessive salaries for charity executives who may be pleading for more dollars won't exactly sit well.

"Some of the perks that the executives receive, like having first-class travel, companion travel, a housing allowance, executive chef — this will now have to be disclosed. In the past, charities could do these things and not have to tell anybody," Borochoff says.

Nonprofit status under section 501(c)(3) of the Internal Revenue Code is easy to obtain but difficult to revoke. Questions have been raised about whether some nonprofits, such as hospitals that provide low levels of charity care, deserve the special tax status.

The sheer number of nonprofits makes it tough to provide oversight, and the system relies heavily on self-reporting in tax documents. "Being able to fake out the public is pretty easy to do. The current state of U.S. nonprofit financial reporting allows for charities to fudge the numbers to look good when they may not be doing much of anything of value," Borochoff says.

Illinois is not without its own tales of people who use the trust bestowed on nonprofits to take advantage of others. Illinois Attorney General Lisa Madigan filed suit this spring against a Minooka man who pretended to raise money for veterans but was allegedly using the cash to pay his personal debts. Political insider Stuart Levine was brought down during a corruption scandal in part by charges that he used a charity set up to benefit a medical school to enrich himself instead.

While the increased public disclosure this year may help, the most important oversight could be provided by those whose job it is to do so: the organization's own board of directors. "They need to do their job and not be asleep at these meetings," Borochoff says. ❑

Crystal Yednak

Broken partnership

Nonprofits are at the mercy of the state of Illinois

by Brent Never

Over the past 30 years, America has increasingly turned to nonprofit organizations to provide social services to people most in need. Mental health care, job training, daycare, addiction counseling, education and other services have been significantly moved from the public sector to nonprofit organizations. That has led to greater choices for those receiving services, tight relationships between providers and clients, and arguably, more efficient service delivery.

But this trend comes at great costs. Services for the most vulnerable in society are expensive. Often, nonprofit organizations perform those services because there is little to no profit-making potential for private industry. Many services are legally mandated, to say nothing of a moral mandate that many in the sector feel, meaning that organizations must find a way to provide the services, even if at a great monetary loss.

Whether implicitly or explicitly, our governments have entered into a social contract with the nonprofit sector: You provide the services that we used to provide, and we'll grant you sufficient resources to get the job done. Unfortunately, in this time of fiscal crisis, our governments have reneged on this contract and hung nonprofit organizations out to dry.

Some nonprofits have attempted to soldier on to provide services to the most needy, while others have had to painfully cut back. Because the nonprofit sector does not officially fall under the jurisdiction of the government, it is easy for our political leaders to shake their heads, to say that they feel horrible about what is going on and, ultimately, to turn their backs on the social contract that they created in the first place.

Nonprofit organizations have been at the core of American society since its inception. From schools to prisons, Americans have historically turned first to local nonprofits instead of their government. Alexis de Tocqueville, in his famous journey across early America, was astonished at how Americans loved their nonprofit organizations and turned to them in every facet of their lives. Nonprofits existed comfortably outside the national political dialogue through the 1970s. With the advent of the "Reagan Revolution," that all changed.

The grand coalition needed to elect Ronald Reagan president in 1980 agreed on the concept that the federal government was too large, ineffective and impersonal. Social service programs that had been built up over the preceding five decades were at the very heart of the rhetoric. Nonprofit organizations provided a counterbalance to the welfare state. Starting with the Reagan administration and continuing through the Obama administration, governments at all levels moved funding for social services to nonprofit organizations.

President George H.W. Bush in his 1989 inaugural address evoked "a thousand points of light" — community organizations that delivered social services, many of which were previously performed by the welfare state — as a hallmark of a charitable society.

President Bill Clinton oversaw the creation of the Corporation for National and Community Service, a quasi-governmental organization that encourages the development of community outreach, often through nonprofit organizations.

President George W. Bush expanded federal government agreements with the nonprofit sector by opening up contracts to faith-based organizations with explicit religious content in their delivery of social services. Many congregations, which all fall under the umbrella of the nonprofit sector, have engaged with the federal government to be the key service providers in their own communities. President Barack Obama has pledged to increase the federal government's faith-based initiative, and in April, he signed the Serve America Act that promises to triple the size of the AmeriCorps program and vastly increase cooperation with community organizations.

Just as the federal government has increased its official commitment to the nonprofit sector, states and localities have followed suit. Through a patchwork of contracts for services, block grants and small grant programs, Illinois state government offers significant support to service providers. Organizations can be heavily dependent on state funding,

Photograph courtesy of the University of Illinois Springfield

__The social contract with our state government has been broken; seemingly the fiscal crisis in the Statehouse has erased memories of the thousand points of light.__

Brent Never

particularly in the cases of youth development and counseling services.

Particularly troubling for grant and contract recipients is the fact that for several years, the state government has slowed the disbursement of funds. The length of the delay depends on the particular program, but organizations may wait several months before they see reimbursement for services they provided. In the private sector, that would constitute a breach of contract and be fertile ground for a lawsuit, yet nonprofit organizations have little recourse. Often they must spend down the few reserves they had accrued in good times and then turn to short-term borrowing to bridge the time between delivery of the service and payment from the state. The awful reality is that during a recession when nonprofits most need access to short-term credit, many lenders view local community organizations as a poor credit risk.

Organizations often draw resources from a mix of funders in addition to the state. Local United Ways and community foundations are strong supporters of those types of nonprofits, yet they, too, face a difficult fiscal environment. While individual giving has not fallen precipitously in the past months, projections are for a much more difficult 2010. National philanthropies such as the MacArthur and Ford foundations, have also hit hard times as their endowments have rapidly shrunk, which leads to fewer grants in our communities.

The result has been rather bleak for organizations that serve meals to the hungry, house the homeless and care for those with fundamental needs. The social contract with our state government has been broken; seemingly the fiscal crisis in the Statehouse has erased memories of the thousand points of light. The question becomes, where can this partnership go now? The answer lies in making the relationship between the state and the nonprofit sector more explicit.

We can learn from the lessons of former British Prime Minister Tony Blair. In 1998, just as the Blair government was establishing its "new Labour" governing philosophy, it entered into detailed talks with representatives of the British nonprofit sector. Unlike "old Labour," Blair was looking to move away from a vision of a monolithic welfare state to embrace new ideas of partnership with both the private and nonprofit sectors. The talks were meant to create a formal relationship where each party agreed to a set of rights and responsibilities that would govern their interactions in the future. While the compact did not provide for legal sanctions if any of the parties broke the terms of the agreement, they did serve to explicitly codify a relationship that had previously only existed implicitly.

The idea of a compact between the state of Illinois and the nonprofit sector would be one step in mending a fractured relationship. Many organizations feel they must cope with the abuses of state government, given that in times of recession, alternative resources are more difficult to find.

By creating a compact, the state and the nonprofit sector could create a dialogue around the central rights and responsibilities that all parties must exhibit. For the state, there is the right to freely choose those organizations best suited to provide consistent, competent service for citizens. There is also the right to terminate relationships with organizations that cannot fulfill that level of competency. For nonprofit organizations, there is a right to be compensated fairly and on time. Late payments have harmed many of the organizations in the sector and have in turn harmed those clients most desperately in need of social services. Lastly, there should be a right to third-party arbitration whenever those rights are broken.

A compact is a commitment to dialogue between two parties on a level playing field. There is no cost associated with creating a compact; neither party puts money on the table. Rather, it is an arena in which discussions can proceed. But there is a significant roadblock to proceeding down this path: The Illinois nonprofit sector does not speak with one voice. And while there are major parties at work in the state sector, there is no glue that holds them together. For this reason, discussions of a compact need to be inclusive and follow a timeline that allows all interested parties to have substantive input into the negotiations.

While the recent recession has strained the relationship between the state and its service providers, it also represents a real opportunity to create anew a social contract. Through consistent dialogue it is possible to strengthen the covenant between the state and nonprofits to provide social services throughout Illinois. ❑

Brent Never is an assistant professor of public administration at the University of Missouri-Kansas City. His academic specialities include nonprofit management, with a focus on community organizations that deliver social services during times of intense public need. He is a former professor at the University of Illinois Springfield and was a Fulbright scholar at the University of Ulster in Northern Ireland.

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Pay delay

Despite receiving extra federal funds, Illinois' budget banks on delaying payments to some medical providers

by Bethany Jaeger

Todd Evers is in constant conversation with his bank, most recently in August, to prepare for the "inevitable what if." What if the state stops paying?

He has had to borrow money twice a year for the past decade to keep open his group of pharmacies in Collinsville and the St. Louis area as he waits for a check from the Illinois comptroller that will pay him for services he provided to public aid customers months ago.

Illinois has fallen as far as $1.3 billion behind in paying providers of Medicaid, the state-federal program for the poor, disabled, elderly and youth. But the program also has become a lending source. Illinois lawmakers repeatedly have delayed payments to Medicaid providers to free up cash for other expenses. They did it again this year.

In July, the General Assembly cobbled together a budget that not only borrowed from lending institutions to pay public employee pension obligations, but it also approved borrowing from state agencies and state contractors by sweeping money from dedicated funds and freezing payments to state vendors.

The delay will particularly affect Medicaid providers that don't leverage extra federal reimbursements through the American Recovery and Reinvestment Act, better known as the federal stimulus package.

Pharmacists are among the largest group expected to experience delays as long as 150 days by the end of the fiscal year, June 30, 2010. Others include home health aides for seniors, emergency and nonemergency transportation services and medical equipment providers.

Evers likens the wait for state reimbursement to riding a roller coaster.

"You climb, climb, climb, climb, and then you go down the hill real fast. As soon as that happens, though, you don't know where the next hill is. And you don't know when you go up the next hill, is the next hill bigger than the last hill, or is it smaller than the last hill?"

The wait is expected to climb again this fall and winter as the state's cash flow slows from declined tax revenues, as well as increased demand for public aid during the aftermath of the national recession.

This year's delay doesn't affect every medical provider, however.

Hospitals, nursing homes and physicians are receiving Medicaid payments within 30 days, thanks to the federal stimulus package. The feds are picking up about 61 percent of Illinois' Medicaid costs. That's about 11.5 percentage points more than normal.

If the state fails to pay those three provider types within 30 days, it would lose out on about $2 million a day in enhanced matching funds, according to Theresa Eagleson, administrator of the Division of Medical Programs at the Illinois Department of Healthcare and Family Services.

One-third of that department's budget includes pharmacists and other medical providers, who will receive slower and slower payments throughout the year.

"I'm not proud of it. It's not something we want to do," Eagleson says. "But absent the money to do it and absent the

Photograph by Bethany Jaeger

Pharmacist David Mikus fills prescriptions at the Medicine Shoppe in Springfield. He expects state reimbursements for Medicaid to slow this fall, creating a cash-flow bind this winter.

revenue to pay for it, it ends up that we pay them in five months as opposed to one month."

Rather than pay all providers within 45 days and risk running out of money by January, she says the department will phase in delays throughout the year.

But, she adds, pharmacists and other medical providers will still benefit from the stimulus package. The enhanced federal match has allowed the state to avoid reducing its reimbursement rates or cutting the list of services that qualify for reimbursements.

"States across the country were looking at cutting rates or cutting eligibility for services, which means providers either get paid less or get paid for fewer [services]. It is an indirect sort of way, but I think everybody's benefiting from the stimulus money, even if it's not getting directly passed through."

State Rep. Beth Coulson, a Glenview Republican with a background in health policy, says the delays unfairly will affect smaller Medicaid providers that already operate on tight budgets. She's also a 10th Congressional District candidate.

"What the state is doing is they're borrowing from those very vulnerable providers," she says. "They are having to go out to get a bank loan, which is right now difficult, paying relatively high interest rates, to subsidize what the state should be paying them in order for them to make their payroll."

Providers call her office to say they will have to lay off employees, which means they won't be able to deliver as many services.

"It's a chicken-and-the-egg thing, and it's a terrible time at this point in a recession to be doing that," Coulson says. "Nobody should have to wait that long for payment, but obviously with cash flow issues, it shouldn't be the smallest providers that are waiting."

Illinois, at least this year, joins 16 other states in freezing payments to providers to pay for the increased Medicaid caseload, maintain current benefits and eligibility levels and help finance the state budget. That's according to a July 2009 report by the U.S. Government Accountability Office.

Slower reimbursements for pharmacists and other medical providers could have the effect of reducing services if, say, they stop accepting as many Medicaid patients, says J. Michael Patton, executive director of the Springfield-based Illinois Pharmacists Association. Other pharmacists think about not accepting Medicaid at all. Some simply close their doors.

"It runs the gamut, and this isn't just independent pharmacies that I represent," he says. Members range from owning their own pharmacies to working for corporate stores, hospitals or assisted living facilities. "It's not indigenous necessarily to just one particular segment of the pharmacy practice. It's pretty universal."

Some pharmacies and community-based agencies do qualify for what's called expedited payments from the state if at least 50 percent of their customers are Medicaid clients.

Evers in Collinsville says his pharmacies serve anywhere from 4 percent to 25 percent Medicaid clients. The ongoing question, he says, is whether to try to serve the expanding Medicaid population or to count on more consistent revenue sources.

"Those are the trade-offs, and we are faced with those real decisions every day."

Substance abuse treatment providers have an even more complicated dilemma, particularly this year as slower state payments compound with ongoing budget shortfalls.

Addiction treatment services are funded through the Department of Human Services' Division of Alcohol and Substance Abuse. That budget was reduced by about 30 percent this year. Local agencies are laying off staff, while demand for help has increased along with Medicaid enrollments.

But community-based agencies are limited in the amount of Medicaid costs they can bill to the state each year. According to Sara Moscato Howe, chief executive officer of the Illinois Alcoholism and Drug Dependence Association based in Springfield, when agencies' Medicaid allocations run out, they can either send clients to other agencies that haven't maxed out their allocations, or they can essentially borrow against their future Medicaid allocations.

"So every year, you're getting less and less time into the fiscal year before they're maxing out their Medicaid," she

says. "It's similar to what we see with the General Assembly. We keep borrowing more and more into the future, and eventually, we're going to run out of Medicaid dollars in the first month."

Alan Sender, for instance, is chief operating officer of Chestnut Health Systems based in Bloomington. He says his agency, which also provides mental health services to many adolescents throughout central and southern Illinois, provides about $7.5 million worth of services to Medicaid clients each year. But his Medicaid allocation is capped at about $5 million a year.

He anticipates maxing out his allocation by November, meaning he would have to submit the rest of this year's bills toward next year's allocation. On top of that, he was waiting in September for payment of services rendered in March.

"It works to the significant detriment of not-for-profit organizations, who are winding up floating the state these loans and going through the extra paperwork, just enormous extra hassles just to submit bills, which now we have to do over and over again in order to get paid," Sender says.

The state has a law known as the Prompt Payment Act. It requires that if Medicaid bills are not paid within 60 days, the state must pay a 1 percent interest fee to providers every month after that. Interest charges climbed to $11.3 million in 2008, according to the Department of Healthcare and Family Services.

Yet, a bipartisan group of legislators sponsored another bill last spring that would have upped the interest charge to 2 percent.

Coulson says the intent was to force the state to compensate providers for taking out their own loans and incurring their own interest charges while waiting for the state's money. It also was intended to act as an incentive for the state to pay bills sooner.

It didn't exactly work.

"The 1 percent that they were paying, which they didn't always pay, by the way, really was such a low interest rate it really wasn't encouraging those payments," Coulson says.

Gov. Pat Quinn used his amendatory veto powers in August to strike the higher interest rate out of the bill, sending the legislation back to the legislature for consideration during this month's veto session.

In his veto message, Quinn writes that the bill was "noble in intent" but "unworkable in practice." Raising the interest rate on delinquent bills would "exacerbate an already serious problem," he adds.

"Though I am sympathetic to the hardship those to whom the state is delinquent in paying face, promising them additional dollars the state does not have is not a solution."

Paying providers on time is expected to become more difficult in 2010, even with federal stimulus funds still flowing.

Illinois gets a larger share of the enhanced federal Medicaid match than some other states because the higher reimbursement rate is tied to the level of unemployment, but the stimulus dollars aren't enough to keep up with Illinois' spending plans, declining tax revenues and constricting cash flow.

Illinois recorded its highest unemployment rate since 1983 this summer with 10.4 percent, further increasing demand for public aid. According to the federal Government Accountability Office, Illinois' Medicaid enrollment increased by about 6 percentage points between October 2007 and May 2009.

Rick Cornell, Illinois' assistant comptroller for fiscal policy, says the current state budget not only spends without anticipating new revenues to pay for it, but it does nothing to address the total pile of unpaid bills that peaked at about $3.9 billion earlier this year. While the backlog has ebbed and flowed for years, fiscal year 2010 is unique.

"What's different about this year is we're starting off with the largest backlog in the state's history, and the status of revenues is unknown," he says.

Paying all vendors, let alone Medicaid providers, on time also will be more difficult next year because state law mandates the comptroller to repay short-term debt within a year.

The governor, treasurer and the comptroller instituted short-term borrowing in August that brought in $1.25 billion, which the comptroller's office used to pay down last year's bills. But the state has to repay that amount plus interest by June 30, 2010.

Paying all vendors, let alone Medicaid providers, on time also will be more difficult next year because state law mandates the comptroller to repay short-term debt within a year.

Also constituted by law, the state must prioritize payments for public education, income-based aid and such other social services as child care.

"It's going to be very challenging in the latter half of fiscal year '10," Cornell says. "We're just going to have to struggle through this in the short term until there are new developments."

State Sen. Jeff Schoenberg, an Evanston Democrat, says he anticipates problems for Medicaid providers after the stimulus money runs out, as well.

In turn, he's working on proposals to create a revolving loan fund to help give them easier access to lines of credit. He also proposes extending a voluntary "hospital assessment" program to other Medicaid providers such as nursing homes and pharmacies. The current program pools hospital money to leverage a larger federal Medicaid match. It has captured about $8 billion throughout the past five years.

Considering that Illinois' diverse economy hasn't recovered as quickly as other states in past economic downturns, Schoenberg says, Medicaid providers should expect to ride the roller coaster for another few years. ❑

Doing the distasteful

Politicians shrink from raising taxes as long as they can

by Jack R. Van Der Slik

While America and Americans cheerfully advocate for democratic revolutions to take root in Iran and elsewhere in the world, democracy is not working so well here at home.

It is not the theory that disappoints us. The big principles of democracy are in place and operating. We choose our executives in a transparent electoral process. Ditto for legislators at the local, state and national levels. Governmental checks and balances actually work. Religious authorities do not wield governmental power in the name of divine authority. The military is subservient to elected officials. Our uniformed forces are allegiant to our Constitution and civil authorities, not to generals with takeover ambitions. Individual Americans enjoy wide latitude for free speech and freedom of choice in all sorts of matters.

So far, so good.

Why then are America's federal, state and local governments sinking into a morass of public debt? Consider a few numbers to confirm the nature and scope of the problem: Today the United States government's general fund debt approaches $11.5 trillion. About $2.5 trillion of that is owed to the over-obligated Social Security trust fund. Put in different terms, the general fund debt exceeds 80 percent of our current annual gross domestic product. In 2007 it was 64 percent. The trend line for the Obama administration is going straight up. Forecasters expect it to hit 106 percent in 2014.

The picture is not prettier at the state and local levels, and certainly not in Illinois. Data for fiscal year 2006, the latest available in *Governing* magazine's *State and Local Sourcebook*, say that state and local governments have their own debt accumulation of $2.2 trillion. If you read newspapers in Illinois, California, Pennsylvania or numerous other states, you know that legislatures and city councils face chilling deficits. Last spring, Gov. Pat Quinn faced what his administration estimated as an $11.6 budget deficit here in Illinois.

It is true that some of the debts derive from the current economic downturn. But like the national government, many state and local governments face structural deficits. That means their annual spending commitments for existing governmental programs and services exceeds their revenues from taxes and fees.

What is the flaw in American democracy generally and in Illinois particularly that explains the systemically wide financial imbalances so prevalent today? Taxing, budgeting and spending authority is split between the executive and legislative branches. Politicians love to claim credit for programs with popular benefits. They enact entitlement programs and unfunded mandates. Whether it is to claim policy bragging rights, bring home the bacon, take care of constituents or sponsor earmarks, that is the fun side of politics.

The not-fun side of politics is imposing taxes that are commensurate with growing revenue needs. Politicians hold off

Jack Van Der Slik

from raising explicit tax rates as long as they can. They delay full funding of pensions. They defer maintenance on roads and bridges. They raid trust funds and engage in smoke-and-mirrors accounting. They slow payments to schools and Medicaid beneficiaries. Unfunded liabilities mount. The politicians raise fees and add service charges as inconspicuously as they can, but they do not increase broad-based taxes.

The delays by governments to pay off their obligations eventually create a funding crisis so huge that there will be a rationalization for enacting a new and higher tax formula. Only with such a solid rationalization will executives promote and legislators adopt a taxation solution to provide the necessary revenues. So far, Illinois legislative leaders apparently do not believe the situation is desperate enough to act.

On July 15, the leaders of the General Assembly and their minions kicked Illinois' revenue problems down the road with one more inadequate and irresponsible spending plan. They made a meager $185 million cut in government services, their attempt to bail water from the sinking state budget with a teacup. What passes for fiscal creativity by our leaders is for lawmakers and executive branch workers to take a one-day furlough each month, thereby reducing the state payroll. Meanwhile, unionized state employees will take scheduled raises requiring an added $125 million during the budget year.

The puny budget cuts made so far, the governor admits, do nothing to address the huge backlog of unpaid bills that reached as high as $3.9 billion. Moreover, the state's current myopic solution to fund the public employees' pension system is to raise $3.4 billion by short-term borrowing. Millions in cuts but billions in unmet obligations. What I wonder, is the plan to pay off this added short-term debt?

Why do incumbents avoid candor about taxes? Curiously, the political community has itself poisoned the air regarding taxes. "We don't need higher taxes. We just need more government efficiency." That is the usual claim, but no administration ever manages to solve the enduring revenue problems that way.

Any incumbent bold enough to openly and forthrightly advocate for greater taxation guarantees himself/herself an opponent in the next election. In fact, the opposing party's leaders will paint a target on that advocate's back and spend extraordinary campaign dollars to bring about the advocate's defeat.

American voters have been carefully taught by a generation of promising politicians: "Your benefits can keep increasing, but your taxes do not have to keep up." As much as the voters want to believe, it is not true, and the bills will become due.

Most Americans took a real jolt in the worth of their investments, their home values and other real money savings during the current financial crisis. Much as we despise such "market corrections," they are inevitable. Nobody had to vote to make them happen.

Governmental financial corrections are rarer because policymakers have to vote for them. Nevertheless, the mounting debts in localities, states and the nation have to be paid, or our children and grandchildren will be enslaved by our selfishly deferred fiscal obligations.

In Illinois, our politicians can solve the public debt problems. But a majority party will not take the action alone because doing so would put that party at risk in the next election.

Among the sophisticated techniques with which savvy legislative leaders work is the structured roll call vote. The leaders and chief executive can negotiate a tax policy and arrange for each political party to supply a share of the votes necessary for bipartisan majorities. Voting for it themselves, the leaders can agree to hold politically harmless the legislators who support the new level of taxation. If the legislative leaders restrain their own campaign organizations and refrain from using their formidable campaign finances on attack ads against otherwise targeted tax-approving legislators, those legislators can survive the next election with their political lives intact. Calling off the dogs of partisan warfare should be easy for the legislative leaders. They are the biggest dogs in that battle. By providing electoral survivability to their legislative troops, the leaders supply the quintessential political incentive necessary to unlock a solution to this crucial policy problem.

My point here is NOT to authorize the politicians to go for a whole new round of irresponsible spending. It is, rather, that the debts for past spending are already overdue. A solid temporary tax agreement with a fixed expiration date could do the job. The accumulated liabilities need to be paid off by the benefiting generations (largely the baby boomers and generation X) whose pressure and demands moved the politicians to give away the store — actions that the politicians took with a will.

While I will cheerfully join the marchers who wish to cut back future spending to enable meaningful tax cuts and downsize government, today's debts endanger the credibility and capacity for our governments to perform its necessary and proper functions. The biggest losers are the kids in schools. Our elected representatives have the authority to do what needs to be done. Let us see them whistle up the courage to do the job.

The American people need our democracy to work better, not to impress Iran or other countries, but to protect the enduring rights of our children and grandchildren to life, liberty and the pursuit of happiness. ❑

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Suburban Democratic lawmaker resigns to lead child advocacy group

Former state Rep. **Kathleen Ryg** of Vernon Hills spent the past seven years in the legislature advocating for children with disabilities and mental health needs, as well as for early childhood education. Most recently, she urged others to understand her reasons for supporting a state income tax increase.

She has a new role, but she'll continue advocating for those same principles as president of Voices for Illinois Children. The nonpartisan, nonprofit organization is based in Chicago and aims to improve education, health care and families' economic conditions.

Her focus still will include tax reform with various versions of tax breaks for families with children and low incomes. But that includes persuading policymakers to "take the tough votes," she says.

"We really have to get serious about recognizing that if we continue to borrow or postpone bill payments, we're losing the programs that make such a difference for children and families."

She is the second president of the 22-year-old organization. The first was **Jerry Stermer**, now Gov. Pat Quinn's chief of staff and author of similar themes in Quinn's administration.

Ryg became a leader on prevention and treatment of children's mental health needs and services for people with disabilities when she joined the Illinois House in 2003. It mirrors her early career as a counselor and administrator in Chicago's northwest suburbs.

She also has local government experience as a Vernon Hills village trustee and clerk. She spent six years as chief deputy recorder of deeds in Lake County.

Ryg is replaced in the House by Democrat **Carol Sente**, appointed by local party officials. But the district, which covers northern Cook and Lake counties and bumps up against a solid Republican area, could become a hot spot in the 2010 elections.

Ryg says she'll leave the political agenda to those actively involved in elections. "My goal is to make sure that we get information to all the candidates, and that's at all levels, so that they can understand the complexities and start understanding the solutions — and that we talk about that in very direct ways so that people understand the high cost of doing nothing."

Kathleen Ryg

Bethany Jaeger

OBIT

Christopher Kelly, close friend, adviser and fundraiser for former Gov. **Rod Blagojevich**, died Saturday, September 12, just days before he was scheduled to report to federal prison to serve at least eight years for two of three criminal cases against him. He was 51.

Law enforcement officials were looking into a possible drug overdose at press time.

Kelly would have been a key figure in the ongoing corruption trial of Blagojevich, scheduled to go to court in June 2010. Kelly was indicted as part of what federal prosecutors termed a "Blagojevich Enterprise," an extensive scheme that allegedly began in 2002 to use the governor's office for private and political gain, including auctioning off the U.S. Senate seat once held by President Barack Obama. Kelly was indicted along with the former governor; his brother, **Robert Blagojevich;** former campaign manager and lobbyist **Alonzo Monk;** Springfield lobbyist **William Cellini;** and former chief of staff **John Harris**. Kelly pleaded not guilty to those charges.

Shortly before his death, however, he pleaded guilty to separate charges of rigging bids to steer $8.5 million in "inflated contracts" for roofing work done on American Airlines and United Airlines facilities at O'Hare International Airport between 1998 and 2006. Two counts of mail fraud included using kickbacks to pay gambling debts.

Along with his nearly five-year prison sentence for the O'Hare kickback scheme, he received an additional three-year sentence for tax fraud. That indictment came in December 2007 and charged him with using corporate funds from his roofing and consulting firms to pay illegal gambling debts.

Blagojevich, in New York at the time of Kelly's death to promote his book, *The Governor*, spoke through his publicist, Glenn Selig. According to Selig, the former governor said, "Chris refused to make it easier on himself to lie about a friend."

U.S. attorney resigns in central Illinois

Rodger Heaton, U.S. attorney for the Central District of Illinois since December 2005, resigned and was replaced by first assistant **Jeffrey Lang**.

Lang, named acting U.S. attorney, had served as Heaton's first assistant since 2007. He previously was supervising assistant in the Rock Island division since 2002.

From 1991 to 1995, he worked as an assistant U.S. attorney for the Southern District of Florida. He previously was a special agent with the FBI and with the U.S. Fish and Wildlife Service's division of law enforcement.

Lang's office is headquartered in Springfield and has branches in Peoria, Rock Island and Urbana.

Heaton, who was U.S. attorney, resigned to return to private practice with Hinshaw & Culbertson in Springfield.

Transportation moves

Paula Wolff is the new chair of the Illinois Tollway board of directors. She replaces **John Mitola**, who resigned for family reasons after six and a half years as chairman.

Wolff is a senior executive of Chicago Metropolis 2020, where she has served since 2000. For eight years prior, she was president of Governors State University in Chicago. She also directed former Gov. Jim Edgar's transition team in 1990-1991.

Between 1970 and 1990, she directed policy developments in the Republican administrations of Richard Ogilvie and Jim Thompson.

She's also recognized as a civic leader with her work on the Governor's Council of Economic Advisors, the Illinois Courts Commission and the University of Chicago board of trustees, as well as her service on boards of various other business and philanthropic organizations. She also is a member of the *Illinois Issues* Advisory Board.

She earned her master's and doctorate degrees in political science from the University of Chicago and her bachelor's degree in government from Smith College in Massachusetts.

Her term as chair, which pays $36,077 a year, lasts until May 2013, pending Senate confirmation. The board oversees 286 miles of tollways in 12 counties of northern Illinois.

• Quinn also appointed Aurora Mayor **Tom Weisner** and former Waukegan Mayor **Bill Morris** of Grayslake to the Tollway board. They replace **Betty-Ann Moore** and **Steven Harris**, whose terms expired.

Weisner is a former president of the National Association of Telecommunications Officers and was a Peace Corps volunteer in the 1980s.

The administration describes Morris as a municipal finance specialist, having been senior vice president and manager of public finance for two financial consulting firms since 1999. He also is a former state senator who was vice chairman of the Senate Transportation Committee in the 1970s.

Both are Democrats and paid $31,426 a year, with terms ending in May 2011. The Senate must confirm them.

• Quinn also appointed **Jacky Grimshaw** to the Chicago Transit Board. She is vice president of policy at the Center for Neighborhood Technology, a transportation and sustainable growth think tank in Chicago. Having been with the organization since 1992, she created the center's transportation and air quality programs. She also chairs the Transportation Research Board of the Committee on Environmental Justice, as well as serving on numerous other transportation-related bodies.

She previously worked for former Chicago Mayor Harold Washington's Office of Intergovernmental Affairs and was Mayor Richard Daley's deputy treasurer for economic development.Between those two jobs, she was a talk show host for Chicago National Public Radio and ABC affiliates, as well as a columnist for Crain's *Chicago Business*.

Her term on the Chicago Transit Board, which pays $25,000 a year, lasts until September 2014, pending Senate confirmation.

For updated news see the *Illinois Issues* Web site at http://illinoisissues.uis.edu

Big people on campus

Wayne Watson begins this month serving as the president of Chicago State University. He replaces interim president **Frank Pogue**, who took the job after former president **Elnora Daniel** resigned in 2008 following a state audit that questioned some of the university's expenditures.

Watson previously was chancellor of City Colleges of Chicago and held various administrative positions within that network of community colleges. He received his bachelor's, master's and doctorate degrees from Northwestern University in Evanston.

Watson enters Chicago State amid confusion and controversy. The 7,000-student south side university, which has a graduation rate of 16 percent and has recently lowered its entrance standard on the ACT test from 18 to 16, is supposed to get $40 million for a second campus on the west side of the city. Championed by Democratic state Sen. **Rickey Hendon**, the allocation for the west side campus was designated in the statewide capital construction plan signed into law this summer.

Pogue said in published reports that he didn't know about the plan or the money until he read about it in a newspaper a month before his term expired. The university had not included the west side campus in its priority list to the Illinois Board of Higher Education.

Watson also has to overcome some dissatisfaction with his appointment by a number of the university's faculty, staff and students. Last spring, 13 of 15 members of a campus advisory board involved in the presidential search resigned in protest of what they said in a statement was "a less than transparent or participatory process." The other final candidate was **Carol Adams**, secretary of the Illinois Department of Human Services.

Beverley Scobell

FOIA act improved to better hold public bodies accountable

While much of the reform legislation this year has been disappointing, a bright spot is Illinois' new Freedom of Information Act (FOIA) — the law that mandates public access to government records (see *Illinois Issues* blog, May 20).

An overhaul was long overdue. A Citizen Advocacy Center study illustrated that Illinois had the weakest public access statute of five Midwestern states surveyed. This was due to absolutely no penalty provisions to hold government bodies accountable and an excessive number of exemptions that outnumbered other states by more than two times. Moreover, our office routinely sees the statutory deficiencies firsthand: public bodies routinely ignore requests, produce unjustified denials and charge excessive fees — even as high as $1 per page.

The Illinois State's Attorneys Association and the Illinois Municipal League claimed that the new FOIA law would increase costs to government agencies, necessitate cuts in services like police and fire, inhibit criminal investigations and invade privacy, among other things.

In reality, the new law levels the playing field between the public and government agencies. The public now has multiple avenues by which to hold public bodies accountable, mandates FOIA training for those who are designated to process requests and caps how much public bodies can charge for producing information.

Most significantly, it provides a binding resource through the Illinois attorney general's office for both the general public and public officials.

Illinois is now at the top of the list in regard to transparency laws and has a powerful tool to increase democratic participation in government.

Terry Pastika
Citizen Advocacy Center
Elmhurst

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Your comments are welcome.
Please keep them brief (250 words).
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Charles N Wheeler III

Lawmakers boot the tough choices into next year

by Charles N. Wheeler III

"Wait 'til next year," for more than a century the lament of long-suffering fans of the Chicago Cubs, aptly describes the approach Illinois leaders are taking to the state's budget woes heading into the fall legislative session this month.

Consider the setting:

• The bills keep piling up, to the tune of $2.8 billion and counting at the end of the last budget year, according to the state comptroller's office.

• Thousands of state workers face layoffs, adding to a jobless total already at its highest level in 26 years.

• Human service programs have been slashed to the bone and beyond, with potentially devastating impacts on senior citizens, the mentally ill, at-risk teens, people with disabilities and a host of other vulnerable Illinoisans who depend on a social safety net.

• Even the state's chief justice has sounded the budgetary alarm, warning that deep cuts in state funding for community-based probation services threaten public safety.

Against that backdrop, Gov. Pat Quinn and legislative leaders met to discuss the agenda for the session and decided to do … virtually nothing to ease the budget crisis. True, the governor and his fellow Chicago Democrats — Senate President John Cullerton and House Speaker Michael Madigan — said they'd push for a $1-a-pack increase in cigarette taxes to pay for spring semester tuition aid so that tens of thousands of college students could continue their studies. But House Minority Leader Tom Cross is not on board, and without GOP support, a Senate-approved cigarette tax increase can't garner the 71 House votes needed to pass this fall.

> ***Indeed, the GOP seems to have made a political calculation: Being against any tax increase will enhance the party's chances next November.***

Indeed, the GOP seems to have made a political calculation: Being against any tax increase will enhance the party's chances next November among voters disgusted with Democratic incompetence in general and outright corruption (see Rod Blagojevich) in particular.

So Republican leaders and the party's gubernatorial hopefuls argue that higher taxes are not needed, but rather, deeper cuts targeting generic waste and mismanagement, with few specifics offered.

Quinn remains steadfast in seeking an income tax increase but is resigned to waiting to push for higher rates until next year, when only 30 Senate votes and 60 House votes would be needed. Democrats clearly have the numbers — 37 in the Senate and 70 in the House. Less certain is whether they'll have the political will, especially in the House, to do so.

Meanwhile, state Comptroller Dan Hynes, who is challenging Quinn for his party's gubernatorial nomination, last month unveiled a sweeping plan to get the state back on a sound financial footing.

Garnering the most attention was Hynes' call for a progressive income tax, with rates on individual taxpayers ranging from the current 3 percent on the first $200,000 of earnings up to a top bracket of 7.5 percent on income in excess of $1 million. The new rates would bring in about $5.5 billion, Hynes estimated. But the state Constitution says income tax rates must be flat, so for Hynes' plan to work, voters next November would have to approve an amendment allowing graduated rates — no sure thing. Even if all the stars aligned, new revenue likely would not be available before fiscal year 2012, offering no help for the current budget shortfall nor next year's red ink tsunami pegged at $9 billion by some accounts.

To help with the immediate problem, the comptroller proposed cutting current spending by about $1.6 billion and coming up with $850 million a year in

new revenue by eliminating a number of business tax breaks and expanding the state sales tax to include more than a dozen "luxury" services such as tanning parlors, car rentals, pet grooming and health clubs.

The Hynes plan also includes licensing as many as three new casinos and increasing cigarette taxes to help pay health care costs.

Though Republicans derided Hynes' plan as nothing more than a massive income tax increase, in fact the comptroller deserves credit for developing a comprehensive blueprint for state finances, far more detailed than anything GOP critics have offered.

For all its merit on paper, though, Hynes' effort has a practical problem in addition to its timing delay: Lawmakers have rejected many of his money-saving, revenue-enhancing ideas in the past, from paring corporate incentives to authorizing new casinos. Hynes knows the history but says times are different and believes he can persuade the legislature to support his cause.

If lawmakers want to deal with the state's inadequate revenue structure, though, a quicker alternative is waiting in the wings.

If lawmakers want to deal with the state's inadequate revenue structure, though, a quicker alternative is waiting in the wings, embodied in **House Bill 174**. The proposal would increase the individual income tax rate to 5 percent from 3 percent and the corporate rate to 5 percent from 4.8 percent. The rates would be flat, and thus not require a constitutional amendment, but the measure would include several features to lessen the burden on low- and moderate-income families, including increasing the personal exemption to $3,000 from $2,000, doubling to 10 percent the income tax credit homeowners can claim for residential property taxes and tripling the state's earned income tax credit to 15 percent of the federal credit.

In addition, the plan would expand the sales tax base to include 39 different consumer services, many of which are already taxed in neighboring states. The changes would produce an estimated $6 billion in new revenue, with the money coming in a year sooner than under Hynes' plan.

Perhaps most important, **HB 174** already cleared the Senate 31-27 in May, with only Democratic support. The measure was not called for a vote in the House, though, and given GOP intransigence, a House vote this fall would be futile. After January 1, however, Madigan and his troops — and any Republican realistic about state finances — could act decisively to modernize the state's tax structure, if they have the political courage to do so. Let's hope they do. ❑

Charles N. Wheeler III is director of the Public Affairs Reporting program at the University of Illinois Springfield.

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